

UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION

UNITED STATES OF AMERICA)	No. 02 CR 506
)	
)	Judge Rebecca Pallmeyer
)	
v.)	Violations: Title 18, United
)	States Code, Sections 2, 1001
LAWRENCE E. WARNER and)	1341, 1346, 1951, 1956 and 1962
GEORGE H. RYAN, SR.)	Title 26, United States Code
)	Sections 7206 and 7212; and
)	Title 31, United States Code, Section 5324
)	
)	<u>Second Superseding Indictment</u>

COUNT ONE

The SPECIAL APRIL 2002 GRAND JURY charges:

1. At times material to this indictment:

Office of the Secretary of State

A. The Office of the Secretary of State of the State of Illinois (hereinafter “SOS Office”) was entrusted with comprehensive duties relating to motor vehicles, including licensing drivers, administering and enforcing driver safety, maintaining driving records, selling and distributing license plates and vehicle registration validation stickers and issuing and maintaining records of vehicle titles. In addition, the SOS Office, through its Inspector General Department (hereinafter “IG Department”), was charged with investigating alleged misconduct by SOS Office employees.

B. The Secretary of State, one of the elected statewide officers of the State of Illinois, was responsible for running the SOS Office, the second largest of Illinois’ constitutionally-mandated offices. From 1991 through early 1999, the SOS Office employed over 3,000 employees.

C. The SOS Office performed its functions through approximately twenty-one (21) departments, each of which was headed by a department director appointed by the Secretary of State. Department directors reported, in most instances, to the Chief of Staff.

Office of the Governor

D. The Office of the Governor of the State of Illinois (hereinafter “Governor’s Office”) was entrusted with comprehensive duties involving, among other things, appointing department directors and key administrators; issuing Executive Orders; annually proposing a budget and reporting on the fiscal condition of the state; supporting, approving and vetoing legislation; and otherwise setting priorities and direction for the State of Illinois.

E. The Governor’s Office conducted its business through the staff of the Governor’s Office and various departments which were managed by department directors, each of whom reported to the Governor’s Office. In conjunction with the departments under its control, the Governor’s Office comprised the largest of Illinois’ constitutionally-mandated offices.

F. The Governor of the State of Illinois, who was the chief executive of the State of Illinois, was responsible for administration of all areas of the executive branch of state government not under the authority of the other constitutionally-elected officials.

Racketeering Defendants

G. Defendant GEORGE H. RYAN, SR., was elected by the voters of the State of Illinois to a four-year term as the Secretary of State in November 1990 and reelected to a second four-year term in November 1994. Accordingly, RYAN was the Secretary of State from January 1991 through early January 1999. In November 1998, RYAN was elected by the voters of the State of Illinois to a four-year term as the Governor of the State of Illinois. RYAN was the Governor from

January 1999 through early January 2003.

H. Defendant LAWRENCE E. WARNER owned and operated several businesses out of an office space at 3101 N. Western Avenue in Chicago, Illinois, including, among other businesses: a fire insurance adjustment business named Lash Warner & Associates; a construction maintenance and supervision business named Economy Building & Maintenance; and National Consulting Company and Omega Consulting Group Ltd., two entities which were solely-owned and operated by WARNER. In or about November 1990, defendant RYAN, then the Secretary of State, appointed defendant WARNER as a member of the SOS Office Transition Team, which is further described in paragraph 2(B) of Count Two below.

Other Individuals and Entities

I. **Donald Udstuen:** From the 1970s through approximately April 30, 2002, Donald Udstuen was affiliated in various capacities with the Illinois State Medical Society, an entity that, among other things, conducted lobbying activities for medical professionals in the State of Illinois. From 1991 to April 30, 2002, Udstuen was the Chief Operating Officer for the Illinois State Medical Insurance Exchange.

i. At times during defendant RYAN's career as a candidate and elected official, Udstuen served a number of roles to benefit RYAN, including serving as an advisor and fundraiser for RYAN's political campaigns.

ii. In or about January 1991, defendant RYAN, then the Secretary of State, appointed Udstuen to be the co-chairman of the SOS Office Transition Team.

J. **Associate 1:** Beginning in approximately 1973 and continuing through approximately December of 2002, Associate 1 was a lobbyist and consultant representing

individuals and entities before the Illinois legislature and Illinois' executive offices, including the SOS Office and the Governor's Office. As a lobbyist and on behalf of his clients, Associate 1 met with officials in the legislative and executive branches of Illinois government, including defendant RYAN, to promote and advance the positions of his clients.

K. **Scott Fawell:** In approximately February 1992, defendant RYAN, while serving as Secretary of State, appointed Scott Fawell to be his Chief of Staff. In this capacity and through in or about January 1999, Fawell, in conjunction with defendant RYAN, made personnel, policy, strategic and business decisions binding the SOS Office. In addition, beginning no later than February 1992 and continuing through early 1999, Fawell was a principal operating officer, adviser, and decision maker for Citizens For Ryan, an entity described in paragraph 1(L) below. In this capacity and through in or about January 1999, Fawell, in conjunction with defendant RYAN, made personnel, policy, strategic and business decisions binding Citizens For Ryan. In or about January 1999, RYAN appointed Fawell to be the Chief Executive Officer of the Metropolitan Pier & Exposition Authority, an agency that received a portion of its funding on an annual basis from the Illinois General Assembly.

L. **Citizens For Ryan:** Citizens For George Ryan, Sr. (hereinafter "Citizens For Ryan") was a private entity organized and existing under the laws of the State of Illinois as a state-wide political campaign committee established on behalf of defendant RYAN to support his campaign efforts. As a state political campaign committee, Citizens For Ryan was required to file income and expenditure reports accurately and truthfully disclosing income and expenditure activity, typically on a semi-annual basis, with the Illinois State Board of Elections, which reports were then

available to the public. Prior to each filing, the income and expenditure activity was reviewed by numerous Citizens For Ryan agents, including Fawell, and then verified for truth and completeness by the treasurer of Citizens For Ryan at the time of filing.

i. Citizens For Ryan maintained one or more bank accounts at various financial institutions in Illinois. Defendant RYAN, with the assistance of Fawell, possessed ultimate control and decision-making authority over Citizens For Ryan bank accounts. Citizens For Ryan also maintained one or more credit card accounts, and credit cards were issued to RYAN and Fawell, who utilized said credit cards, along with funds from the Citizens For Ryan bank accounts, to pay campaign and personal expenses of RYAN.

ii. From at least 1991 through 2002, defendant RYAN routinely used Citizens For Ryan funds and credit cards to benefit himself, family members and other third parties. Generally, Illinois law permitted the expenditure of campaign funds for personal purposes, provided that the personal expenditures were reported as such on the campaign finance disclosure reports. In addition, RYAN was required by law to accurately and fully report on his federal and state income tax returns all expenditures of Citizens For Ryan funds for personal purposes.

iii. During each of the 1994 and 1998 political campaigns involving defendant RYAN, RYAN caused substantial Citizens For Ryan funds to be set aside for personal use in the event that the respective campaigns were unsuccessful. Generally, Illinois law further permitted a former public official to use any outstanding balance in a campaign fund for personal use, provided again that the former public official accurately and fully reported on his federal and state income tax returns all such conversions of campaign funds.

iv. At all times between December 31, 1995 and May 2002, Citizens For

Ryan bank account balances remained in excess of \$1 million.

M. **Alan A. Drazek:** Alan A. Drazek owned and operated a company called American Management Resources and was a personal associate of Donald Udstuen.

N. **Associate 2:** Through a real estate entity, Associate 2 owned a commercial building in South Holland, Illinois, which, in May 1997, was leased to the SOS Office. Through an entity called Seven Seas Villa, Associate 2 also co-owned a vacation home in Jamaica and personally owned a home in Palm Springs, California.

O. **Individual 1:** A suburban Chicago businessman, Individual 1 met defendant RYAN after RYAN became Secretary of State and had occasional contact with RYAN and members of RYAN's SOS Office staff.

Laws, Duties, Policies and Procedures Applicable to Defendant RYAN

2. Defendant RYAN, as an officer of the State of Illinois, was bound by the following laws, duties, policies and procedures:

A. As Secretary of State and as Governor, defendant RYAN was a constitutional officer and as such, at the outset of each term, was required to take an oath of office to support the Constitution of the United States and the Constitution of the State of Illinois, and to faithfully discharge the duties of the respective governmental office to the best of his abilities.

B. In his capacity as Secretary of State and Governor, defendant RYAN owed a duty of honest services to the people of the State of Illinois and to the State of Illinois in the performance of his public duties.

C. Pursuant to the criminal laws of the State of Illinois (720 ILCS 5/33-1(d)),
as

Secretary of State and Governor, defendant RYAN was prohibited from receiving, retaining, or agreeing to accept any property or personal advantage which he was not authorized by law to accept, knowing that such property or personal advantage was promised or tendered with intent to cause him to influence the performance of any act related to the employment or function of his public office.

D. Pursuant to the criminal laws of the State of Illinois (720 ILCS 5/33-3(c) and (d)), as Secretary of State and Governor, defendant RYAN was prohibited from committing the following acts in his official capacity: (1) performing an act in excess of his lawful authority, with intent to obtain a personal advantage for himself or others; and (2) soliciting or knowingly accepting, for the performance of any act, a fee or reward which he knew was not authorized by law.

E. Pursuant to the criminal laws of the State of Illinois (50 ILCS 105/3), as Secretary of State and Governor, defendant RYAN was prohibited from being, in any manner, financially interested, either directly or indirectly, in any contract or the performance of any work in regard to which RYAN may have been called upon to act.

F. Pursuant to the criminal laws of the State of Illinois, including the Illinois Governmental Ethics Act (5 ILCS 420/4A-101), as Secretary of State and Governor, defendant RYAN was obligated to file annually a Statement of Economic Interest with the State of Illinois, wherein he was required to disclose, among other things: (1) the name of any entity doing business in the State of Illinois from which he derived income during the preceding calendar year in excess of \$1,200 (that is, income other than for specified professional services); (2) the identity of any compensated lobbyist with whom he maintained a close economic association; and (3) the name of any entity from which a gift or gifts valued singly or in the aggregate in excess of \$500 was received during the preceding calendar year. If defendant RYAN constructively controlled the interest

described in (1) or (3) of a spouse or third party, he was obligated to disclose the interest as if it were his own.

G. Pursuant to the criminal laws of the State of Illinois, including the Illinois Gift Ban Act (5 ILCS 425/10), as Governor, except as otherwise provided by the Gift Ban Act, defendant RYAN was prohibited from soliciting or accepting any gifts from any prohibited source or in violation of any federal or state statute, rule or regulation. Prohibited sources included, among others, anyone who was registered or required to be registered with the Secretary of State under the Lobbyist Registration Act, described below. Beginning no later than early 1999 and continuing through at least 2002, defendant RYAN, through certain personnel of the Governor's Office, maintained annual Gift Books, the purpose of which, among other things, was to log all gifts received by then Governor RYAN and to monitor RYAN's compliance with the Gift Ban Act.

H. Pursuant to Article VIII, Section 1(a) of the Constitution of the State of Illinois, as Secretary of State and Governor, defendant RYAN was permitted to use public funds, property and credit only for public purposes.

I. Political activity by state employees, including SOS Office employees, was limited in the following respects: (1) pursuant to the laws of the State of Illinois (5 ILCS § 320/4) no person was permitted to induce or persuade, or to attempt to induce or persuade, particular categories of state employees to violate the restrictions against performing political activity during regular working hours; (2) pursuant to laws of the State of Illinois (10 ILCS § 5/9-25.1), no public funds could be used to urge an elector to vote for or against any candidate or proposition, or be appropriated for political or campaign purposes to any candidate or political organization; and (3) pursuant to the written SOS Office policies and procedures (Article 5), SOS Office employees were

prohibited from (i) using state working time for personal gain or for any reason other than performing their governmental duties; and (ii) participating in any political campaigning or activity while on duty.

J. Beginning no later than August 26, 1997, pursuant to a written SOS Office policy memorandum issued immediately following Executive Order #2 declared by the then-Governor, all SOS Office employees, including RYAN, were prohibited from accepting any gifts, meals or entertainment with a value of \$50 or more annually from any single prohibited source. A prohibited source was any person or entity who sought official action, did business or sought to do business with the SOS Office, conducted activities regulated by the SOS Office or had interests that could be substantially affected by the performance or non-performance of the employee's official duties. From at least August 1997 through 2002, defendant RYAN had a stated personal policy of not accepting personal gifts whose value was in excess of \$50.

Laws and Duties Applicable To Defendant WARNER

3. In performing certain alleged functions as set forth below, defendant WARNER was bound by the following laws and duties:

A. Pursuant to the criminal laws of the State of Illinois (720 ILCS 5/33-1(c)), defendant WARNER was prohibited from promising or tendering to a public official, with intent to influence the performance of any official act, any property or personal advantage which the public officer would not be authorized by law to accept.

B. Pursuant to the Lobbyist Registration Act (25 ILCS 170/1-170/12), which became effective in or about January 1994, defendant WARNER was required to register with the SOS Office as a lobbyist if he qualified under either of the following definitions: "(1) Any person

who, for compensation or otherwise, either individually or as an employee or contractual employee of another person, undertakes to influence executive, legislative or administrative action”; or “(2) Any person who employs another person for the purposes of influencing executive, legislative or administrative action.”

C. Pursuant to the Lobbyist Registration Act, defendant WARNER had an obligation to disclose in annual statements filed with the SOS Office all expenditures related to lobbying, and to itemize any expenditures over \$100 made on behalf of, or benefits given to, any legislative or executive branch official, including gifts and travel and entertainment expenses.

Federal Grand Jury Investigation

4. In or about the Spring of 1998, the SPECIAL JUNE 1997-2 Grand Jury sitting in Chicago, Illinois, commenced grand jury investigation 98 GJ 596. Successive federal grand juries, including the SPECIAL APRIL 2002 Grand Jury, continued the investigation into, among other things, allegations of official misconduct, corruption and fraudulent conduct relating to the SOS Office, the Governor’s Office and related entities and individuals (the “Grand Jury Investigation”).

A. On or about September 3, 1998, in furtherance of the Grand Jury Investigation, federal law enforcement officers executed arrest warrants and search warrants, interviewed numerous individuals and served grand jury subpoenas on SOS Office employees. As a result of the arrests and related official proceedings that day, the existence of the Grand Jury Investigation became known to the public, including defendant RYAN, no later than this date.

B. At various times between September 1998 and December 2003, the following matters, among others, were material to the Grand Jury Investigation:

Award of Contracts, Leases and Other Official Acts

i. Whether defendant RYAN awarded and authorized contracts, leases and low-digit license plates and performed other official acts for the benefit of WARNER, Udstuen, Associate 1, Associate 2, as well as others with personal relationships with RYAN (hereinafter, collectively the “Associates”);

ii. Whether certain of the Associates provided any personal or financial benefits or other things of value to defendant RYAN, RYAN’s family members or Citizens For Ryan, for the purpose of influencing or rewarding RYAN in the course of performing or authorizing any official act.

iii. Whether the offering or receipt of said things of value were concealed through the actions of defendant RYAN and certain of the Associates.

Termination of IG Investigators and Reorganization of IG Department

iv. Whether the decision by RYAN and Fawell to terminate IG investigators and reorganize the IG Department in June 1995 was made, at least in part, in order to conceal and otherwise protect certain SOS Office employees’ political fundraising and other campaign activity performed on behalf of Citizens For Ryan;

Diversion of SOS Office Resources To Benefit Political Efforts

v. Whether SOS Office employees, including defendant RYAN and Fawell, authorized the diversion of SOS Office labor and resources in support of campaign activities sponsored or promoted by RYAN, Fawell and Citizens For Ryan.

vi. Whether SOS Office officials took action to conceal the diversions of SOS Office labor and resources, including taking actions after gaining knowledge of the existence

of the Grand Jury Investigation.

C. As part of, and in conjunction with, the Grand Jury Investigation, defendant RYAN was interviewed by federal law enforcement on matters material to the Grand Jury Investigation on the following dates: January 5, 2000; July 6, 2000; October 16, 2000; and February 5, 2001.

The Enterprise

5. At all times material to this indictment, the State of Illinois constituted an “Enterprise” as that term is defined in Title 18, United States Code, Section 1961(4), which was engaged in, and the activities of which affected, interstate commerce.

6. Defendant RYAN was employed by and associated with the Enterprise, and defendant WARNER was associated with the Enterprise.

Purposes of the Defendants

7. The purposes of the defendants included the following:

A. Performing official government acts; awarding government contracts and leases and low-digit license plates; receiving payments relating to government contracts, and otherwise utilizing the resources of the State of Illinois for the personal and financial benefit of RYAN, RYAN’s family members, Citizens For Ryan, and certain of the Associates, including defendant WARNER; and

B. Promoting, concealing and otherwise protecting purpose (A) of the defendants from public exposure and possible criminal prosecution.

The Racketeering Conspiracy

8. Beginning in approximately November 1990 and continuing to at least 2002, in Chicago, in the Northern District of Illinois, Eastern Division, and elsewhere:

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defendants herein, and others known and unknown to the Grand Jury, being persons employed by and associated with an enterprise engaged in, and the activities of which affected, interstate commerce, namely, the Enterprise, did conspire with each other and others known and unknown to the Grand Jury to violate Title 18, United States Code, Section 1962(c), that is, to conduct and participate, directly and indirectly, in the conduct of the affairs of the Enterprise through a pattern of racketeering activity involving multiple acts indictable under the following provisions of federal law:

- A. 18 U.S.C. § 1341 and 1346 (mail fraud);
- B. 18 U.S.C. § 1956(a)(1)(A)(i), (a)(1)(B)(i) and (a)(1)(B)(ii) (money laundering);
- C. 18 U.S.C. § 1951 (extortion);
- D. 18 U.S.C. § 1503 and 1512 (obstruction of justice);

and multiple acts involving bribery chargeable under the following provisions of state law:

720 ILCS 5/33-1(c) and (d); and 5/33-3(d).

It was part of the conspiracy that the defendants agreed that a conspirator would commit at least two acts of racketeering in the conduct of the affairs of the enterprise.

Means and Method of the Conspiracy

9. It was part of the conspiracy that defendants RYAN and WARNER, as well as other co-conspirators, engaged in a scheme to defraud the people of the State of Illinois and the State of Illinois of money, property and the intangible right to the honest services of defendant RYAN, in his capacity as a state official, and of other state officials, by means of materially false and fraudulent pretenses, representations, promises and material omissions, as more fully described in Count Two, paragraphs 2-148 of this indictment. Defendants RYAN, WARNER and certain other Associates used and caused to be used the United States mails and other interstate carriers in furtherance of the scheme.

10. It was further part of the conspiracy that defendant WARNER and other Associates provided personal and financial benefits to, and for the benefit of, defendant RYAN, RYAN family members, third parties affiliated with RYAN, and Citizens For Ryan, due to RYAN's official position, and for the purpose of influencing and rewarding RYAN in the exercise of RYAN's official authority.

11. It was further part of the conspiracy that defendant RYAN knowingly took actions in his official capacity to benefit the personal and financial interests of defendant WARNER and certain Associates while concealing, in violation of the law, RYAN's financial relationship with WARNER and certain Associates.

12. It was further part of the conspiracy that defendant RYAN knowingly permitted defendant WARNER and certain Associates to participate in the governmental decision making process, and provided WARNER and certain Associates with access to material, non-public information relating to governmental decisions. With RYAN's authority and concurrence,

WARNER and certain Associates converted the participatory status and information provided by RYAN into financial benefits for themselves, defendant RYAN and third parties.

13. It was further part of the conspiracy that defendants RYAN and WARNER, as well as certain other conspirators, engaged in financial transactions designed, in whole or in part, to conceal and disguise the nature, source, ownership, and control of the proceeds of the scheme, including the structuring of cash withdrawals from bank accounts to avoid the filing of currency transaction reports, the payment of funds to third parties who acted as conduits and nominees, and the payment of cash and the writing of checks to cash.

14. It was further part of the conspiracy that defendant WARNER and others committed and attempted to commit extortion, which extortion obstructed, delayed and affected commerce, by knowingly obtaining and attempting to obtain property in the form of payments from vendors and prospective vendors of the SOS Office induced by a) the wrongful use of actual and threatened fear of economic harm, and b) under color of official right.

15. It was further part of the conspiracy that defendant RYAN, Fawell and other agents of Citizens For Ryan diverted, and caused the diversion of, SOS Office labor and resources for the personal and political benefit of defendant RYAN, Fawell and Citizens For Ryan.

16. It was further part of the conspiracy that defendant RYAN and Fawell acted to terminate IG Department investigators and to reorganize the IG Department to, among other things, discourage the legitimate investigation of improper political fundraising activities and related official misconduct of SOS Office employees, and thus benefit RYAN personally and Citizens For Ryan.

17. It was further part of the conspiracy that defendant RYAN and Fawell obstructed and

attempted to obstruct the Grand Jury Investigation and otherwise misrepresented, concealed and hid, and caused to be misrepresented, concealed and hidden, the purposes of and acts done in furtherance of the conspiracy.

All in violation of Title 18, United States Code, Section 1962(d).

COUNT TWO

The SPECIAL APRIL 2002 GRAND JURY charges:

1. The allegations in paragraphs 1–4 of Count One of this indictment are hereby realleged and incorporated herein as if fully set forth herein.
2. At all times material to this count of the indictment:
 - A. The SOS Office had, among others, the following departments:
 - i. Vehicle Services Department: The Vehicle Services Department was responsible for, among other things, the registration, licensure, and titling of vehicles. The Vehicle Services Department also processed vehicle titles, registered vehicles, and issued license plates and vehicle registration validation stickers.
 - ii. Driver Services Department: The Driver Services Department was responsible for, among other things, testing applicants and issuing automobile and truck drivers' licenses through over 130 driver's license facilities located throughout the State of Illinois. The Property Management Division of the Driver Services Department was responsible for negotiating and managing leases entered into with third parties relating to over 130 driver's license facilities.
 - iii. Information Systems Services Department: The Information Systems Services Department was responsible for, among other things, providing computer and office automation services to all Departments in the SOS Office.
 - iv. Physical Services Department: The Physical Services Department was responsible for, among other things, the maintenance and upkeep of certain buildings, including among others, certain buildings leased by the SOS Office from outside individuals and entities, and

all the buildings comprising the State Capitol Complex in Springfield, Illinois.

v. Index Department: The Index Department was responsible for, among other things, administering and maintaining public records related to the registration, activities and expenditures of lobbyists in the State of Illinois.

The SOS Office Transition Team

B. Beginning in or about late 1990, defendant RYAN, as the Secretary of State-elect, chose a number of individuals, including defendant WARNER and Udstuen, to assist in the planning of the RYAN SOS Office Administration (hereinafter the “SOS Office Transition Team”). In particular, the SOS Transition Team was created to review the practices, procedures, administration and duties of the SOS Office and to make recommendations to the newly-elected Secretary of State for changes and improvements to the SOS Office. As part of that function, the SOS Office Transition Team was provided access to SOS Office officials and employees, as well as internal SOS Office documents and information not generally available to the public. Among other things, the SOS Office Transition Team reviewed and made recommendations regarding issues related to the SOS Office mainframe computer system, the installation of a new heating and cooling system within the State Capitol Complex buildings, and the status and options relating to one or more SOS Office real property leases. The SOS Office Transition Team issued a report in or about March 1991.

C. In addition to serving as a member of the SOS Office Transition Team and after the work of the Transition Team was completed in or about March 1991, WARNER, with the knowledge and authorization of RYAN, attended internal SOS Office meetings, including policy meetings and one or more staff retreats; occasionally performed private work inside the

governmental offices of RYAN; directed and advised SOS Office personnel, including one or more department directors, regarding matters related to the award of SOS Office contracts to vendors and the award of SOS Office real property leases; and assisted in determining the content of official SOS Office documents and communications, including specifications related to one or more SOS Office contracts with vendors.

The Scheme To Defraud

3. Beginning in approximately November 1990 and continuing to at least 2002, in the Northern District of Illinois, Eastern Division, and elsewhere:

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LAWRENCE WARNER,

defendants herein, as well as Associate 1, Donald Udstuen, Scott Fawell, Citizens For Ryan and others known and unknown to the Grand Jury, devised and intended to devise, and participated in, a scheme and artifice to defraud the people of the State of Illinois, and the State of Illinois, of money, property and the intangible right to the honest services of defendant RYAN and other officials and employees of the State of Illinois, by means of materially false and fraudulent pretenses, representations, promises and material omissions, and in furtherance thereof used the United States mails and other interstate carriers, which scheme is further described in the following paragraphs:

Overview of Scheme

4. It was part of the scheme that defendant RYAN performed and authorized official actions to benefit the financial interests of RYAN, defendant WARNER, Associate 1, Associate 2 and certain Associates and designated third parties, including RYAN family members and Citizens For Ryan. The official actions RYAN performed and authorized included:

- A. Awarding, and authorizing the award of, contracts and leases, and intervening in governmental processes related thereto and causing contractual payments to be made to benefit the financial interests of defendant WARNER, as described below;
- B. Providing defendant WARNER and Associate 1 with participatory status in, and material non-public information relating to, governmental decisions, which WARNER and Associate 1 then converted into financial benefits for themselves, defendant RYAN and third parties, as described below.
- C. Awarding a real property lease and causing contractual payments to be made to benefit Associate 2, as described below;
- D. Awarding, and authorizing the award of, contracts and intervening in governmental processes related thereto in order to benefit the financial interests of Associate 1, as described below; and
- E. Awarding, and authorizing the award of, low-digit license plates to WARNER, Individual 1, and others, as described below.

5. It was further part of the scheme that defendant RYAN and certain third parties affiliated with RYAN received personal and financial benefits from defendant WARNER, Associate 1 and certain Associates, while defendant RYAN knew that such benefits were provided with intent to influence and reward RYAN in the performance of official acts. Such benefits included, but were not limited to, the following:

- A. Monetary payments and gifts on multiple occasions to defendant RYAN which payments and gifts exceeded the \$50 threshold;
- B. Vacation benefits to defendant RYAN;
- C. Personal service benefits to defendant RYAN;
- D. Monetary payments, loans, gifts and personal service benefits to RYAN's family members;
- E. As directed and approved by defendant RYAN, the allocation and distribution to designated Associates of proceeds obtained from vendors doing business with the State of Illinois;

- F. Financial support, in the form of loans to benefit Comguard, a private company which had financial troubles throughout the 1990s and which defendant RYAN supported in its efforts to obtain State of Illinois contracts for electronic monitoring of prisoners. Comguard was owned, in part, by a RYAN family member;
- G. Forebearance on loans to a RYAN family member and to Comguard; and
- H. Financial benefits to Citizens For Ryan, some of which benefits were converted to RYAN's personal use.

6. It was further part of the scheme that, from the early 1990s to at least 2002, defendants RYAN, WARNER and certain Associates concealed their financial relationships with each other by, among other things:

- A. RYAN knowingly failing to disclose gifts, financial benefits and things of value he received from WARNER and the other Associates as required by law and policy;
- B. RYAN making false statements to federal investigators regarding his financial relationship with WARNER, Associate 2 and Individual 1;
- C. WARNER and certain Associates knowingly i) filing, and causing the filing of, materially false lobbyist registration statements and related disclosure documents, and ii) failing to file lobbyist registration statements and related disclosure documents; and
- D. WARNER and certain Associates structuring withdrawals, paying funds to third parties who served as conduits and nominees, making payments in cash, writing checks to cash and otherwise concealing financial transactions.

Authorizing Official Actions Related To WARNER and Udstuen

7. It was part of the scheme that, in or about early 1991, defendant WARNER and Udstuen discussed a plan to make money from one or more vendors doing business with the SOS Office and prospective vendors desiring to do business with the SOS Office.

8. It was further part of the scheme that, beginning in or about 1991 and continuing

thereafter, defendant WARNER advised Udstuen that, with defendant RYAN's knowledge and approval, WARNER would provide Udstuen with one-third of the proceeds that WARNER obtained from certain vendors doing business with the SOS Office, as a reward for Udstuen's past service to defendant RYAN. Thereafter, defendant WARNER did provide Udstuen with one-third of the proceeds that WARNER obtained from American Decal Manufacturing (hereinafter "ADM") and International Business Machines (hereinafter "IBM"), as described below, even though Udstuen performed minimal or no services to earn said proceeds.

9. It was further part of the scheme that, in or about 1991, defendant WARNER and Udstuen agreed that in order to conceal the flow of proceeds from WARNER to Udstuen related to the SOS Office vendors, defendant WARNER would use Alan Drazek's company, American Management Resources, as a conduit for the purpose of passing payments from WARNER to Udstuen relating to ADM and IBM, as described below. WARNER agreed to issue checks to Drazek, who in turn would provide a substantial portion of the proceeds relating to ADM and IBM back to Udstuen in cash.

10. It was further part of the scheme that, in or about early 1991, defendant WARNER told Udstuen that WARNER would be "taking care" of defendant RYAN with WARNER's two-thirds share of the proceeds that he obtained from the vendors doing business with the SOS Office.

11. It was further part of the scheme that, beginning in the early 1990s and continuing thereafter through at least early 1999, WARNER provided personal and financial benefits to and for the benefit of defendant RYAN, including, but not limited to the following:

- A. Monetary payments and gifts on multiple occasions to defendant RYAN which payments and gifts exceeded the \$50 threshold;
- B. Personal and professional service benefits to defendant RYAN;

- C. Over \$300,000 in payments to Udstuen relating to ADM and IBM's contractual dealings with the SOS Office, as directed and approved by defendant RYAN based on Udstuen's past service to RYAN;
- D. Two loans totalling \$145,000 related to Comguard, and forbearance on one of the loans;
- E. A \$5,000 no-interest loan for the benefit of a RYAN family member and forbearance on that loan;
- F. Significant financial expenditures (in excess of \$3,000) relating to the 1997 wedding of a RYAN family member;
- G. Over \$6,000 in financial investments in a RYAN family member's business;
- H. Over \$7,000 in non-compensated professional services to a RYAN family member;
- I. Financial benefits to Citizens For Ryan.

12. It was further part of the scheme that defendant RYAN concealed the personal and financial benefits he received from defendant WARNER in violation of the law and his stated policy.

13. It was further part of the scheme that defendant WARNER financially benefitted from the following contracts and leases for which defendant RYAN took and authorized official action:

The Awarding Of The Validation Stickers Contracts To ADM

14. At times material to this indictment:

A. The SOS Office Contract Award Process: In the performance of its lawful functions, the SOS Office awarded contracts for goods and services to outside entities and individuals (hereinafter collectively "vendors"). As to certain contracts, the particular SOS Office Department seeking to obtain the goods and services was generally responsible for drafting contract "specifications" which described, among other things, the technical requirements a bidding company

had to meet in order to win the contract. To initiate the process, contract specifications were forwarded from the SOS Office to the Illinois Department of Central Management Services (hereinafter “Central Management Services”), a state agency independent from the SOS Office that handled certain aspects of the purchasing and procurement process for other state agencies, including the SOS Office. After receiving contract specifications from the SOS Office, Central Management Services generally solicited bids from vendors based upon the requirements set forth in the SOS Office specifications. The vendors wishing to bid on a contract had to submit those bids directly to Central Management Services, which in turn would share the bid information with the SOS Office.

B. The Validation Stickers Contract: The SOS Office periodically awarded a contract to manufacture and print vehicle registration validation stickers, which were the stickers required to be affixed to all Illinois license plates to show current vehicle registration (hereinafter the “validation stickers contract”). The Vehicle Services Department was generally responsible for preparing specifications and, along with Central Management Services, overseeing the competitive bidding process for the validation stickers contract. Up to and including 1991, the validation stickers contract, which cost the State of Illinois approximately \$800,000 to \$1,200,000 annually, was held by ADM.

C. At no point prior to 1991 had ADM made payments to any third parties to receive or keep the validation stickers contract. As of 1991, the existing SOS validation stickers contract with ADM included the requirement of a feature known as the “metallic security mark,” which feature was a product created and manufactured by ADM and this requirement had the effect of substantially guaranteeing the award of the validation stickers contract to ADM.

15. It was further part of the scheme that, beginning in about July 1991 and continuing thereafter, defendant WARNER made unsolicited contacts with officials of ADM and indicated to them that, in exchange for monthly payments, WARNER would ensure that the “metallic security mark” requirement would remain in the specifications for the SOS Office validation stickers contract.

16. It was further part of the scheme that defendant WARNER threatened one or more officials of ADM, stating if ADM did not pay WARNER the monthly payment amount, WARNER would cause the specifications to change such that ADM would lose the validation stickers contract. As a result of WARNER's statements and out of fear that ADM might otherwise lose the validation stickers contract, officials of ADM authorized monthly payments to WARNER in amounts dictated by WARNER.

17. It was further part of the scheme that, beginning in or about July 1991 and continuing thereafter, defendant WARNER directed a high-ranking official of the Vehicle Services Department (hereinafter “SOS Official A”) to take certain actions to financially benefit WARNER. Understanding that WARNER was acting with the authority of RYAN, SOS Official A followed WARNER's directions.

18. It was further part of the scheme that, in or about April 1992, defendant RYAN told SOS Official A that he did not want SOS officials getting too close to a Minnesota-based company, 3M, which was a potential competitor to ADM in the validation sticker contracts.

19. It was further part of the scheme that, in or about late 1992, after SOS Official A failed to respond promptly to defendant WARNER's contacts on official SOS Office matters, defendant RYAN contacted SOS Official A and inquired as to why SOS Official A was not

returning WARNER's calls. When SOS Official A informed RYAN that he was uncomfortable with Warner because Warner was frequently intervening in his SOS Office job and manipulating SOS contracts, RYAN told SOS Official A, among other things, that WARNER was Official A's "friend" and directed Official A to return defendant WARNER's calls.

20. In or about 1993, the Vehicle Services Department conducted research and analysis regarding the security features of the validation stickers contract, and a committee consisting of approximately seven Vehicle Services Department employees unanimously recommended to SOS Official A that the "metallic security mark" requirement be removed from the specifications for the validation stickers contract. Shortly thereafter, SOS Official A, acting on the committee's recommendation, caused the "metallic security mark" requirement to be removed from the specifications and the modified specifications to be forwarded to Central Management Services for initiation of the competitive bidding process.

21. It was further part of the scheme that, in or about 1993, after SOS Official A had caused the "metallic security mark" requirement to be removed from the specifications following the committee's recommendation in order to enhance the SOS Office's options in selecting a cost-effective qualified vendor, defendant WARNER directed SOS Official A to put back into the specifications the requirement for the "metallic security mark."

22. It was further part of the scheme that, in or about April 1993, defendant RYAN intervened to assist defendant WARNER in his efforts on behalf of ADM by, among other things, directing SOS Official A to change the specifications back to include the "metallic security mark" to benefit ADM. RYAN further directed SOS Official A to retrieve the specifications back from CMS quietly, and SOS Official A did so, such that ADM was advantaged. Thereafter, and as a

result of RYAN's conduct, SOS Official A made no effort to revise the specifications, and the validation stickers contract thereafter continued to be awarded to ADM.

23. It was further part of the scheme that, with defendant RYAN's assistance, from about 1991 through approximately 2000, the SOS Office continued to make payments to ADM under the validation stickers contracts authorized by defendant RYAN's SOS Office. During this period, defendant WARNER received approximately \$332,000 in payments from ADM related to the validation stickers contracts. After receiving the payments, WARNER, with RYAN's approval, provided Udstuen one-third of the proceeds through payments made through American Management Resources, as described above.

The Awarding Of The Title Laminates Contract To ADM

24. At times material to this indictment:

The SOS Office periodically awarded a contract to manufacture and print laminated strips to be affixed to vehicle titles for security purposes (hereinafter the "title laminates contract"). The Vehicle Services Department was generally responsible for preparing the specifications and, along with Central Management Services, overseeing the competitive bidding process for the title laminates contract. Up to and including 1991, the title laminates contract was held by 3M.

25. It was further part of the scheme that, in about August 1991, defendant WARNER told an official of ADM that in exchange for \$67,000, WARNER would cause the SOS Office title laminates contract, then held by 3M, to be awarded to ADM. Based upon WARNER's statements, ADM authorized total payments of \$67,000 to WARNER.

26. It was further part of the scheme that, in about August 1991, at the direction of defendant WARNER, and understanding that defendant WARNER was acting with the authority

of defendant RYAN, SOS Official A took official actions to materially benefit ADM and to the competitive disadvantage of 3M.

27. It was further part of the scheme that, as a result of defendant WARNER's actions, the SOS Office awarded the title laminates contract to ADM, which thereafter received the title laminates contracts through approximately September 1998.

The Awarding Of Computer-Related Contracts To IBM

The Mainframe Computer Upgrade Contract

28. At times material to this indictment:

A. The SOS Office awarded contracts to provide computer and information technology services related to SOS Office functions, including among other contracts, contracts related to installing and maintaining a mainframe computer system used throughout the SOS Office (hereinafter, the "mainframe computer upgrade contract"). The Information Systems Services Department was generally responsible for preparing the specifications and overseeing the competitive bidding process for the mainframe computer upgrade contract and other computer-related SOS Office contracts.

B. As of early 1991, Honeywell/Bull (hereinafter "Honeywell") held the existing mainframe computer system contract with the SOS Office and was attempting to ensure that it would win future computer-related contracts with the SOS Office, including the prospective mainframe computer upgrade contract. As of no later than 1992, International Business Machines (hereinafter "IBM") desired to win future computer-related contracts with the SOS Office, including the prospective mainframe computer upgrade contract.

29. It was further part of the scheme that, beginning in or about early 1991, due to

defendant RYAN providing defendant WARNER and Udstuen with participatory status in, and material non-public information relating to, governmental decisions, WARNER and Udstuen learned information pertaining to the SOS Office's intentions regarding the mainframe computer upgrade contract.

30. It was further part of the scheme that, in or about the summer of 1991, defendant WARNER and Udstuen, and later Associate 1, met with representatives of Honeywell. During the meetings, WARNER and Udstuen, and later Associate 1, indicated that in exchange for total payments of up to \$1,000,000 from Honeywell, Honeywell would be awarded one or more computer-related contracts with the SOS Office, including the prospective mainframe computer upgrade contract.

31. On or about September 24, 1991, after Honeywell declined to pay defendant WARNER, Udstuen or Associate 1 to ensure the award of SOS Office contracts, Honeywell's representative reported WARNER, Udstuen and Associate 1's solicitation activities personally to defendant RYAN.

32. It was further part of the scheme that, at the September 24, 1991 meeting with Honeywell's representative, defendant RYAN acknowledged, among other things, that Udstuen and WARNER were among his advisors, that RYAN had too much to lose to allow something like the alleged conduct involving Udstuen and WARNER go on in his Administration and that RYAN would "get to the bottom of it."

33. It was further part of the scheme that, after defendant RYAN had been informed of WARNER and Udstuen's solicitations relating to Honeywell, defendant RYAN authorized WARNER and Udstuen to assist in the process of hiring a Director of the Information Systems

Services Department whose responsibilities included, among other things, assisting in the selection and implementation of the mainframe computer upgrade contract.

34. It was further part of the scheme that, when Udstuen was approached for a lobbyist referral for IBM relating to potential business with the SOS Office, Udstuen referred IBM to defendant WARNER, knowing that Udstuen would profit with WARNER on any business that IBM performed with RYAN's SOS Office.

35. It was further part of the scheme that, in or about February 1992, defendant WARNER and Udstuen interviewed a candidate for the Director position (hereinafter "SOS Official B"), and, during the interview process, SOS Official B disclosed that Official B would be supportive of selecting IBM for the mainframe computer upgrade contract. Shortly thereafter, WARNER and Udstuen recommended to RYAN that the SOS Office hire SOS Official B as the Director of the Information Services Department, and RYAN then hired SOS Official B for the position as Director of Information Services.

36. It was further part of the scheme that, in approximately March 1993, defendant WARNER entered a written contract with IBM, retroactive for services beginning July 1, 1992, and under which IBM agreed to pay WARNER a percentage of all revenues, up to \$1,000,000, that were received by IBM in connection with SOS Office contracts.

37. It was further part of the scheme that, on one or more occasions, at the direction of defendant WARNER, and understanding that defendant WARNER was acting with the authority of defendant RYAN, SOS Official B took official actions to benefit WARNER financially relating to IBM.

38. It was further part of the scheme that, based, at least in part, on the actions taken by

defendant WARNER, defendant RYAN awarded the mainframe computer upgrade contract to IBM, which contract payments made during RYAN's SOS Office Administration exceeded \$25,000,000.

The Kiosk Project Contract

39. At times material to this indictment:

A. Commencing in or about 1995, the SOS Office began to consider a pilot project using computerized kiosks within certain SOS license facilities to allow citizens to renew vehicle registration, obtain validation stickers and perform other vehicle titling and related registration.

B. On or about April 24, 1995, a high-ranking SOS Office official who supported the use of kiosks (hereinafter "SOS Official C"), notified defendant RYAN and Fawell in writing that there was an opportunity for the SOS Office to view kiosk demonstrations by several vendors at an upcoming event in Columbus, Ohio.

40. It was further part of the scheme that defendant RYAN, defendant WARNER and Fawell travelled to Columbus, Ohio, to attend the kiosk demonstrations, including demonstrations made by IBM and a competing vendor. SOS Official B, SOS Official C, and a representative of the competing vendor also attended the kiosk demonstrations.

41. After returning from the April 25, 1995 trip, SOS Official C recommended to other officials of the SOS Office that the kiosk project contract should be awarded to the competing vendor and not IBM.

42. It was further part of the scheme that, after SOS Official C made the recommendation opposing IBM's selection, Udstuen, at defendant WARNER's request, directed SOS Official C to

drop Official C's opposition to IBM's selection. Understanding that WARNER and Udstuen acted with the authority of defendant RYAN, SOS Official C did as Udstuen advised.

43. It was further part of the scheme that, due at least in part to defendant WARNER and Udstuen's actions, in or about January 1996, defendant RYAN selected IBM for the kiosk project contract.

44. It was further part of the scheme that, from in or about 1993 through early 1999, defendant WARNER received approximately \$1,000,000 in payments under his contract with IBM, principally related to the mainframe computer upgrade contract. WARNER, in turn, directed one-third of the proceeds to Udstuen, through American Management Resources.

45. It was further part of the scheme that, in or about 2000, after defendant WARNER and Udstuen learned that federal investigators were inquiring into matters relating to WARNER, WARNER and Udstuen discussed how they could further conceal the flow of proceeds that Udstuen received from WARNER.

46. It was further part of the scheme that defendant WARNER filed false and misleading lobbyist registration statements relating to IBM and failed to disclose all his RYAN-related expenditures.

Awarding of Digital Licensing Contract To Viisage Technologies

47. At times material to this indictment:

A. In approximately 1996, the SOS Office began an initiative to switch to a digital licensing system through which all State of Illinois automobile and truck drivers' licenses would be created and maintained through digital technology. The Drivers Services Department was generally responsible for preparing the specifications and overseeing the competitive bidding

process related to awarding a contract for digital licensing services.

B. In approximately June 1997, the SOS Office awarded the contract to provide digital licensing and related services for the State of Illinois through approximately 2004 (hereinafter the “digital licensing contract”) to Viisage Technologies, a Massachusetts-based company (hereinafter “Viisage”).

48. It was further part of the scheme that, in about August 1996, due to defendant RYAN providing defendant WARNER with participatory status in, and material non-public information relating to, governmental decisions, WARNER learned that the SOS Office was evaluating the merits of switching to a digital licensing system and that a high-ranking SOS Office official who would have a role in the implementation of the system (hereinafter “SOS Official D”) preferred Viisage.

49. It was further part of the scheme that, in or about October 1996, defendant WARNER, working with another individual, agreed with Viisage to enter into a lobbying contract to assist Viisage in its efforts to obtain the digital licensing contract with the SOS Office, in return for a percentage of all gross revenues received should Viisage receive the digital licensing contract (the “lobbying contract”).

50. It was further part of the scheme that, in order to conceal defendant WARNER’s involvement with Viisage in the lobbying contract for the digital licensing contract, WARNER caused his name to be excluded from the initial lobbying contract, even though WARNER was to be the principal lobbyist for Viisage.

51. It was further part of the scheme that, in or about December 1996, before the SOS Office commenced the bidding process on the digital licensing contract, defendant WARNER

guaranteed Associate 1 payments totalling \$36,000 in 1997 relating to Viisage if Associate 1 agreed to assist WARNER on behalf of Viisage. WARNER further indicated that the “cash flow” on the yet-to-be-awarded contract might not commence until mid-1997.

52. It was further part of the scheme that, due to defendant RYAN providing defendant WARNER with participatory status in, and material non-public information relating to the award of the digital licensing contract, prior to the award of the digital licensing contract to Viisage, defendant WARNER purchased Viisage stock and advised another SOS Office employee to purchase Viisage stock in order to profit from the SOS Office’s subsequent decision to award the digital licensing contract to Viisage.

53. It was further part of the scheme that, on or about June 2, 1997, after bids were received from two entities, defendant RYAN awarded the digital licensing contract to Viisage.

54. It was further part of the scheme that, shortly after defendant RYAN awarded the digital licensing contract to Viisage, defendant WARNER caused the financial interest in the lobbying contract with Viisage to be assigned explicitly to WARNER’s business. Thereafter, between approximately 1999 and November 2002, defendant WARNER received approximately \$800,000 in revenues related to the lobbying contract, via the United States mails.

55. It was further part of the scheme that, beginning in approximately 1999, defendant WARNER paid Associate 1 \$36,000 from WARNER’s Viisage proceeds, even though Associate 1 performed no services on behalf of Viisage.

56. It was further part of the scheme, and in order to conceal the scheme, that defendant WARNER and Associate 1 knowingly failed to register as lobbyists for Viisage.

The Awarding Of The Automated System Consulting Contract To ATC

57. At times material to this indictment:

In approximately 1991, the SOS Office began an initiative to install an automated heating and cooling system for certain State Capitol Complex buildings in Springfield, Illinois. The Physical Services Department was generally responsible for preparing the specifications and overseeing the competitive bidding process related to the automated heating and cooling system. To facilitate that process, beginning in about early 1992 and continuing through about October 1994, the SOS Office sought to award a series of engineering consulting contracts for assistance with preparing the specifications and consultations with regard to the contractual process related to the automated heating and cooling system (hereinafter collectively the “automated system consulting contract”).

58. It was further part of the scheme that, in or about 1991, due to defendant RYAN providing defendant WARNER with participatory status in, and material non-public information relating to, governmental decisions, WARNER learned that the SOS Office was seeking to award the automated system consulting contract to an outside consultant.

59. It was further part of the scheme that, in or about December 1991, defendant WARNER solicited a Northbrook-based company, Affordable Temperature Control (“ATC”) to provide consulting services under the SOS Office's automated system consulting contract. ATC agreed to provide the services.

60. It was further part of the scheme that defendant WARNER contacted a high-ranking official in the Physical Services Department (hereinafter “SOS Official E”) and told SOS Official E that WARNER had identified a contractor to receive the automated system consulting contract. Understanding that defendant WARNER was acting with the authority of defendant RYAN, SOS

Official E followed WARNER's direction and caused ATC to be awarded the automated system consulting contract.

61. It was further part of the scheme that, from about January 1992 through October 1994, ATC received payments from the SOS Office for services related to the automated system consulting contract.

62. It was further part of the scheme that, after ATC had been awarded and begun work under the automated system consulting contract, defendant WARNER contacted ATC and indicated he wanted 8% of ATC's revenues under the automated system consulting contract.

63. It was further part of the scheme that between about June 1992 and October 1994, defendant WARNER received approximately \$8,240 in payments from ATC related to the automated system consulting contract.

64. It was further part of the scheme that Fawell caused to be maintained and updated a confidential "master list" which was used to track and monitor official acts that the SOS Office had performed on behalf of, or relating to, a particular "sponsors," such as defendant WARNER. On the master list, Fawell caused WARNER to be listed as the "sponsor" for ATC's selection for the automated system consulting contract.

Soliciting Modern Business Systems Relating to SOS Office Photocopier Leases

65. At times material to the indictment:

The SOS Office entered into leases with one or more vendors for the use and the service of photocopier machines at SOS Offices (hereinafter "the photocopier leases"). Each SOS Office Department seeking to use a photocopier within that Department was generally responsible for negotiating the terms and conditions of the photocopier leases. Up to and including 1991,

Modern Business Systems, Inc. held several of the photocopier leases with the SOS Office.

66. It was further part of the scheme that, in or about mid-1991, due to defendant RYAN providing defendant WARNER with participatory status in, and material non-public information relating to, governmental decisions, WARNER learned that Modern Business Systems, Inc., which then held certain of the SOS Office photocopier leases, was attempting to win future additional leases with the SOS Office.

67. It was further part of the scheme that, on about July 16, 1991, defendant WARNER, representing he was an agent of the SOS Office, solicited Modern Business Systems, Inc. to make \$2,000 per month payments to WARNER personally, in return for WARNER guaranteeing that Modern Business Systems, Inc. would be awarded additional business with the SOS Office. An official with Modern Business Systems, Inc. declined.

Awarding Real Property Leases To Warner-Controlled Entities

68. At times material to the indictment:

A. The SOS Office awarded leases of real property, including certain buildings owned by outside individuals and entities. The Physical Services Department was responsible for negotiating particular SOS Office real property leases and overseeing the maintenance and upkeep related to said leases.

B. The Property Management Division of the Drivers Services Department was responsible for negotiating leases at drivers license facilities and overseeing the maintenance and upkeep related to said leases.

17 N. State Lease

69. It was further part of the scheme that, in approximately early 1991, due to defendant

RYAN providing defendant WARNER with participatory status in, and material non-public information relating to, governmental decisions, WARNER learned that the SOS Office was seeking to relocate certain of its administrative office facilities then located at 188 W. Randolph Street in Chicago.

70. It was further part of the scheme that, in approximately April 1991, defendant WARNER spoke with an individual associated with a building at 17 N. State Street in Chicago, Illinois (hereinafter "Property Manager 1").

71. It was further part of the scheme that, in or about April 1991, defendant WARNER caused a contract to be entered into with Property Manager 1, giving WARNER a 6% commission interest in any SOS Office lease relating to the 17 N. State Street building (hereinafter the "commission contract").

72. It was further part of the scheme that defendant WARNER concealed his financial interest in the commission contract with Property Manager 1 by omitting his name from the commission contract and causing the commission contract to be executed by a third party, who had no involvement in facilitating a lease of the 17 N. State property.

73. It was further part of the scheme that, in or about mid-1991, defendant WARNER contacted an SOS Office employee responsible for identifying relocation sites for the operations then located at 188 W. Randolph (hereinafter "SOS Official F"), and directed SOS Official F to contact Property Manager 1. Understanding that WARNER was acting with defendant RYAN's authority and unaware of WARNER's interest in the commission contract, SOS Official F did as WARNER directed.

74. It was further part of the scheme that, on or about October 22, 1991, defendants

RYAN and WARNER caused the SOS Office to enter a six-year lease for use and occupancy of the building at 17 N. State Street in Chicago (hereinafter “the 17 N. State Lease”). Thereafter, in or about early 1998, RYAN’s SOS Office agreed to renew the 17 N. State Lease for an additional six-year term, with WARNER receiving an additional 6% commission from Property Manager 1.

75. It was further part of the scheme that Fawell caused the “master list” to identify defendant WARNER as the “sponsor” for the 17 N. State Lease.

76. It was further part of the scheme that, between approximately October 1991 and at least October 2001, defendant WARNER received approximately \$383,276 in commission payments related to the 17 N. State Lease and its renewal.

The Bellwood Lease

77. It was further part of the scheme that, in approximately 1992, due to defendant RYAN providing defendant WARNER with participatory status in, and material non-public information relating to, governmental decisions, WARNER learned that the SOS Office was seeking office space for certain operations of the SOS Office’s Department of Police.

78. It was further part of the scheme that, in or about early 1992, defendant WARNER contacted SOS Official E and advised SOS Official E that the SOS Office had identified a building at 405 N. Mannheim Road in Bellwood, Illinois, for potential use by the SOS Office’s Department of Police. WARNER further indicated that defendant RYAN would be contacting SOS Official E with the information.

79. It was further part of the scheme that, shortly thereafter, a secretary to defendant RYAN contacted SOS Official E and directed SOS Official E to consider the 405 N. Mannheim Road location for use by the SOS Office’s Department of Police.

80. It was further part of the scheme that, on or about October 15, 1992, for the purpose of leasing the property to the SOS Office and profiting therefrom, defendant WARNER obtained an ownership interest in the building at 405 N. Mannheim Road in Bellwood, Illinois, while concealing this interest through the use of a third party nominee.

81. It was further part of the scheme that defendant RYAN authorized the SOS Office to enter, on or about December 15, 1992, a five-year lease for use and occupancy of the building at 405 N. Mannheim Road in Bellwood (hereinafter “the Bellwood Lease”). In or about March 1998, RYAN authorized the renewal of the Bellwood Lease for another five-year term.

82. It was further part of the scheme that, between approximately December 1992 and March 2003, defendant WARNER received approximately \$171,000 in proceeds related to the Bellwood Lease, a portion of which he applied toward a \$95,000 loan related to Comguard.

The Joliet Lease

83. It was further part of the scheme that, in approximately early 1994, due to defendant RYAN providing defendant WARNER with participatory status in, and material non-public information relating to, governmental decisions, WARNER learned that the SOS Office was seeking office space in the Joliet area.

84. It was further part of the scheme that, in approximately early 1994, defendant RYAN instructed a high-ranking SOS Office official (hereinafter referred to “SOS Official G”) to contact defendant WARNER to help locate a building for the purpose of a new SOS Office lease.

85. It was further part of the scheme that SOS Official G did as defendant RYAN directed, and defendant WARNER arranged for and caused SOS Official G to inspect a building at 605 Maple Road in Joliet, Illinois.

86. It was further part of the scheme that, on or about October 31, 1994, for the purpose of leasing the property to the SOS Office and profiting therefrom, defendant WARNER obtained a substantial ownership interest in the building at 605 Maple Road in Joliet, Illinois, while concealing his ownership interest in the building through the use of a third party nominee.

87. It was further part of the scheme that defendant RYAN authorized the SOS Office to enter, on or about January 1, 1995, a four-year lease for use and occupancy of the building at 605 Maple Road in Joliet (hereinafter “the Joliet Lease”).

88. It was further part of the scheme that, beginning in approximately January 1995 and continuing to March 1999, defendant WARNER received approximately \$387,500 in proceeds related to the Joliet Lease.

Awarding An SOS Office Lease to Associate 2

89. It was further part of the scheme that, beginning in or about 1993 and continuing to at least 2002, Associate 2 provided personal and financial benefits to defendant RYAN, including annual vacation-related benefits. In particular, RYAN received free lodging each year at the Jamaican vacation home of Associate 2 and, on at least two occasions, received free lodging at Associate 2's Palm Springs, California, home. Annually, Associate 2 provided RYAN between \$1,000-2,000 in lodging benefits.

90. It was further part of the scheme that, beginning in or about 1994 and continuing to in or about 1998, Fawell also received free lodging at the Jamaican vacation home of Associate 2, and on at least two occasions, received free lodging at Associate 2's Palm Springs, California home. For each year from 1994-1998, Fawell received between \$1,000-2,000 in lodging benefits from Associate 2.

91. It was further part of the scheme that, in or about early 1997, defendant RYAN, with Fawell's assistance, took official action to benefit Associate 2. In particular, RYAN initiated contact with Associate 2 and proposed that the SOS Office lease a commercial building located in South Holland, Illinois, then principally vacant, which was owned by an entity controlled by Associate 2.

92. It was further part of the scheme that defendant RYAN instructed SOS Official D to contact Associate 2 and arrange an SOS Office lease of Associate 2's South Holland building (the "South Holland Lease"). In negotiating the South Holland Lease with Associate 2, SOS Official D reported directly to defendant RYAN and obtained direction from RYAN.

93. It was further part of the scheme that defendant RYAN and Fawell, working through SOS Official D and other SOS Office officials, approved the South Holland Lease. Defendant RYAN signed the lease documents, including approving terms and conditions that were not part of the standard SOS Office lease and which terms benefitted Associate 2.

94. It was further part of the scheme that, between approximately May 1997 and June 2002, pursuant to the lease defendant RYAN approved and signed, Associate 2 received approximately \$600,000 in lease payments from the SOS Office, via the United States mails.

95. It was further part of the scheme to defraud that, from in or about 1993 to at least January 2002, in order to conceal the free lodging benefits defendant RYAN was receiving from Associate 2 and at RYAN's urging, RYAN and Associate 2 repeatedly engaged in sham transactions, in which RYAN tendered a check to Associate 2 in the amount of the lodging benefit and Associate 2 provided back to RYAN amounts of cash equal to the amounts indicated on the checks tendered by and through RYAN.

96. It was further part of the scheme that, after August 26, 1997, and continuing through approximately January 2002, defendant RYAN and Fawell continued to receive lodging benefits from Associate 2 in violation of RYAN's stated gift policy and in violation of the SOS Office policy directive described above in paragraph 2(J) of Count One.

97. It was further part of the scheme that defendant RYAN concealed the vacation benefits he had received from Associate 2 by, among other things, a) knowingly failing to disclose gifts and financial benefits he had received from Associate 2 as required by law and b) making false and misleading statements of material fact when interviewed in January 2000 about financial arrangements involving his vacations with Associate 2 by federal investigators conducting the Grand Jury Investigation.

Authorizing Official Acts Relating To Associate 1

98. It was further part of the scheme that, beginning no later than the mid-1990s and continuing to at least 2002, Associate 1 provided personal and financial benefits to and for the benefit of defendant RYAN. Such benefits included, without limitation, the following:

- A. Monetary payments and gifts on multiple occasions to defendant RYAN which payments and gifts exceeded the \$50 threshold;
- B. Vacation benefits to defendant RYAN, including benefits associated with a 1995 trip to Cancun, Mexico; and
- C. Gifts and personal service benefits to RYAN's family members, including a \$2,200 vacation benefit to a RYAN daughter's family in 1999.

99. It was further part of the scheme that defendant RYAN concealed the personal and financial benefits he received from Associate 1, and Associate 1 concealed the personal and financial benefits he provided to RYAN.

100. It was further part of the scheme that defendant RYAN took official action to benefit

Associate 1 relating to the following contracts and business opportunities:

Awarding SOS Office Leases To Clients Of Associate 1

101. It was further part of the scheme that, in 1995 and again in 1997, defendant RYAN authorized the SOS Office to enter into leases of Springfield, Illinois property, and Associate 1 received commissions for assisting in placing these leases with the SOS Office. Said commission payments to Associate 1 totalled over \$38,000.

Awarding Grayville Prison To Associate 1 Client

102. At times material to this indictment:

A. In or about late 2000, the Governor's Office, in conjunction with the Illinois Department of Corrections (hereinafter "IDOC"), commenced a site selection process for the purpose of identifying a specific geographic location for the construction of a maximum security prison to house prisoners in the custody of the IDOC.

B. In or about January 2001, the IDOC, with the knowledge and concurrence of the Governor's Office, publicly announced three particular locations that had been selected as finalists for the site of the maximum security prison.

C. On or about February 23, 2001, at an internal meeting of high ranking officials of the Governor's Office and the IDOC, defendant RYAN chose the town of Grayville, located in southeastern Illinois, to be the site for the maximum security prison from among the three finalists. Defendant RYAN's February 23, 2001 internal decision was not then made public.

D. Prior to February 23, 2001, one or more high-ranking officials in the Governor's Office had complained to defendant RYAN's gubernatorial chief of staff that it was

improper for Associate 1 to routinely participate and be present for the conducting of official government business in and around defendant RYAN's governmental office.

103. It was further part of the scheme that, on or about February 23, 2001, due to defendant RYAN providing Associate 1 with participatory status in, and material non-public information relating to, governmental decisions, RYAN informed Associate 1 that RYAN had selected Grayville to be the recipient of the maximum security prison site. At the time RYAN provided Associate 1 the information regarding Grayville, an aide to RYAN reminded Associate 1 that Grayville's selection was not public information.

104. It was further part of the scheme that, shortly after defendant RYAN informed Associate 1 of the Grayville selection, Associate 1 met with a representative of a business group affiliated with Grayville (hereinafter the "Grayville Representative") and entered into an agreement to lobby for the selection of Grayville as the site for the proposed maximum security prison, in return for \$50,000 in upfront lobbying fees.

105. It was further part of the scheme that, on or about March 12, 2001, Associate 1 received a \$50,000 cashier's check from the Grayville Representative as his lobbying fee. Associate 1 then deposited this check into a checking account that he controlled. During the two-month period thereafter, Associate 1 structured cash withdrawals from his bank account totaling approximately \$35,000, such that no single withdrawal exceeded \$10,000, the threshold level which would have triggered the financial institution's obligation to notify the Internal Revenue Service of the withdrawals.

106. It was further part of the scheme that, after entering into the agreement, Associate 1 falsely told one or more individuals affiliated with the Grayville Representative that he was actively

lobbying for Grayville's selection pursuant to their agreement and did not disclose that defendant RYAN had already made known to Associate 1 that the prison selection had been made.

107. It was further part of the scheme that, on or about April 12, 2001, defendant RYAN announced his selection of Grayville as the chosen prison site in a public ceremony in Grayville, at which announcement RYAN publicly acknowledged, at Associate 1's recommendation, the efforts of the Grayville Representative in promoting Grayville's selection.

Referring Wisconsin Energy To Associate 1

108. At times material to the indictment:

In or about mid-1999, Wisconsin Energy was seeking to hire a lobbyist in the State of Illinois to handle various regulatory and governmental issues in connection with a proposed project Wisconsin Energy was undertaking in Illinois. Udstuen was contacted by an intermediary, acting on behalf of Wisconsin Energy, to solicit Udstuen's recommendation for an Illinois lobbyist.

109. It was further part of the scheme that Udstuen thereafter conferred with defendant RYAN, and RYAN and Udstuen agreed that Udstuen should recommend Associate 1 as the lobbyist for Wisconsin Energy.

110. It was further part of the scheme that, in or about late 1999, Udstuen told Associate 1 that Associate 1 was being recommended as a lobbyist for Wisconsin Energy and that his recommendation was being made with the concurrence of defendant RYAN.

111. It was further part of the scheme that, after Wisconsin Energy hired Associate 1 as its lobbyist, Associate 1 gave Udstuen a \$4,000 cash payment in the men's bathroom of a Chicago restaurant for making the referral of Associate 1.

112. It was further part of the scheme that, after providing Udstuen with \$4,000, Associate 1 told Udstuen that he was also “taking care” of defendant RYAN relating to the referral of Wisconsin Energy.

Hiring Associate 1 As A Lobbyist For MPEA

113. At times material to the indictment:

A. The Metropolitan Pier and Exposition Authority (“MPEA”) was an entity which received annual public funding and which made other requests through Illinois’ General Assembly. Officers and directors of the MPEA were jointly appointed by the Governor and the Mayor of the City of Chicago.

B. During and throughout the 1990's, MPEA had engaged a law firm (hereinafter, “Firm A”) as its principal outside lobbyist to represent its interests before Illinois’ General Assembly.

114. It was further part of the scheme that, in 1999, defendant RYAN directed that Associate 1 be hired as an additional lobbyist for MPEA, even though neither MPEA nor Firm A was seeking any additional lobbying assistance at that time. Beginning on or about January 1, 2000, at the direction of Fawell and defendant RYAN, Firm A hired Associate 1 as a “sub-lobbyist” with an annual retainer of \$60,000 per year. This retainer was paid by MPEA to Firm A for disbursal to Associate 1 and continued for three years through December 31, 2002.

115. It was further part of the scheme that, in calendar year 2000, the initial year of the lobbying relationship, Firm A had little or no work to give to Associate 1, and thus Associate 1’s firm provided little or no lobbying services to MPEA. Thereafter, understanding that Associate 1’s firm would remain as a sub-lobbyist, Firm A provided Associate 1’s firm some basic assignments,

which assignments previously had been performed by Firm A.

Authorizing the Award of Low Digit Plates To Those Providing Benefits To RYAN

116. At times material to this indictment:

The SOS Office was responsible for issuing license plates to qualifying individuals. In addition to the general distribution of plates, the SOS Office issued low-digit or specialty license plates, which were not generally available to any member of the public (collectively, the “low-digit plates”). During the period from January 1991 to January 1999, defendant RYAN personally approved the award of the most coveted low-digit plates.

Awarding Low Digit Plates To Those Providing Campaign And Personal Benefits

117. In or about October 1990, shortly before defendant RYAN’s November 1990 election as Secretary of State, defendant RYAN solicited, on behalf of Citizens For Ryan, a \$75,000 loan from an individual known to RYAN (hereinafter “Individual 3”). Individual 3 then arranged for a \$75,000 loan to Citizens For Ryan through a friend of Individual 3. Within two weeks of receipt of the loan, Citizens For Ryan repaid the loan in full, and no interest was charged for the loan. In or about November 1990, in a handwritten note, defendant RYAN personally acknowledged Individual 3's efforts.

118. It was further part of the scheme that, in or about early 1991, shortly after defendant RYAN took office, RYAN initiated contact with Individual 3 and Individual 3's friend and awarded each with low-digit plates as rewards for their arranging the \$75,000 loan to Citizens

For Ryan.

119. It was further part of the scheme that, thereafter, defendant RYAN awarded coveted low-digit plates to individuals as a reward for financial support provided to defendant RYAN and Citizens For Ryan.

Low Digit Plates Provided To Individual 1

120. By no later than 1995, defendant RYAN met Individual 1, who desired to obtain low digit plates for himself and family members. Individual 1 had acquired a number of low-digit plates from prior SOS Office administrations.

121. It was further part of the scheme that, beginning in March 1996 and continuing through December 1998, defendant RYAN awarded Individual 1 a number of low-digit plates while receiving, annually, at least \$500 or more in personal checks from Individual 1.

122. It was further part of the scheme that, on or about September 5, 1997, defendant RYAN and Individual 1 had an in-person conversation in Chicago at a social event. In the conversation, Individual 1 expressed an interest in contributing to RYAN's gubernatorial campaign in the amount of \$2,000. Individual 1 further indicated that he did not wish his contribution to be disclosed on campaign disclosure reports. In order to conceal the contribution to RYAN, RYAN directed that Individual 1 make out four \$500 checks to RYAN and specified RYAN family members, which Individual 1 then did.

123. It was further part of the scheme that defendant RYAN accepted gifts from Individual 1 in December 1997 and December 1998 in violation of RYAN's stated gift policy and in violation of the SOS Office policy directive described above in paragraph 2(J) of Count One.

124. It was further part of the scheme and to conceal the scheme that defendant RYAN failed to disclose the financial benefits he received from Individual 1 in 1997 and 1998 until after federal investigators participating in the Grand Jury Investigation first questioned RYAN on October 16, 2000 about his relationship with Individual 1.

Warner Low Digit Plates

125. It was further part of the scheme that, in or about early 1991, defendant WARNER advised defendant RYAN that RYAN needed to keep close track of how low digit plates were issued and that RYAN should use the plates as a “plum.”

126. It was further part of the scheme that, beginning in the early 1990s and continuing through late 1998, defendant RYAN approved low-digit plate requests made by defendant WARNER. WARNER made the requests for, among others, a) numerous business associates and clients of his private insurance business and b) employees of his private business, both of which inured to his personal and financial benefit.

127. It was further part of the scheme that, in order to raise campaign funds to benefit Citizens For Ryan, defendant WARNER solicited, among others, some of the individuals who had received low-digit plates approved by defendant RYAN at the request of WARNER.

128. It was further part of the scheme that, to facilitate defendant WARNER’s request for low-digit plates, one of defendant RYAN’s government secretaries maintained a cash “kitty,” consisting of cash that WARNER had given to her and which the secretary used to pay fees associated with many of WARNER’s numerous low-digit plate requests. WARNER, who was the only individual for whom such arrangement was made, replenished the cash kitty periodically.

129. It was further part of the scheme that defendant RYAN otherwise gave defendant WARNER preferential treatment in the low-digit license plate award process and awarded over 90 low-digit license plates to WARNER and third parties acting through WARNER.

Terminating IG Investigators and the Reorganizing IG Department

130. At times material to the indictment:

A. Beginning no later than 1991 and continuing through at least 1998, Citizens For Ryan, working principally through SOS Office departmental contacts, sponsored annual political fundraising events that relied upon SOS Office personnel selling political fundraising tickets. On an annual basis, the two principal employee-based fundraising events raised approximately \$500,000 per year for Citizens For Ryan.

B. On behalf of Citizens For Ryan and related to the annual employee-based fundraisers, SOS Office chief of staff Scott Fawell mandated political fundraising “goals” for SOS Office departments. Cognizant of Fawell’s directives regarding fundraising activities, certain SOS Office employees, including supervisory employees in the Driver Services Department and Vehicle Services Department, individually sold thousands of dollars in fundraising tickets on behalf of Citizens For Ryan through various means.

C. On approximately an annual basis until the late 1990s, in conjunction with the employee fundraising events, defendant RYAN participated in ceremonies with SOS Office employees to acknowledge individual SOS Office employees, who had sold substantial numbers of political fundraising tickets. Such participation included RYAN taking photographs with some of

the top fundraising ticket sellers from the SOS Office.

D. By December 1994, shortly after the 1994 reelection campaign, Fawell and defendant RYAN were aware that agents of the IG Department had been or were investigating alleged official misconduct by employees of the Drivers Services Department and the Vehicle Services Department motivated by, or involving, the sale and distribution of Citizens For Ryan fundraising tickets, including the following:

i. In March 1993, the IG Department had investigated alleged official misconduct by SOS Office employees of the Libertyville driver's license facility. During the course of the investigation, IG Investigators obtained evidence that the alleged official misconduct may have been linked to sales of Citizens For Ryan fundraiser tickets by one or more SOS Office employees. During the investigation, IG Investigators seized a briefcase containing cash and fundraising tickets from the governmental office of an SOS Office employee who was a suspect in the criminal investigation. On or about March 9, 1993, the Inspector General, who reported to defendant RYAN, told RYAN that IG Investigators had located fundraising-related evidence in the SOS Office employee's governmental office.

ii. In late March 1994, the IG Department had investigated allegations, aired on local television, that an SOS Office employee had solicited an auto parts dealer, regulated by the SOS Office, for fundraising tickets during state working hours. The fundraising-related allegations, which were aired on local television, were communicated to defendant RYAN.

iii. In April 1994, the IG Department had investigated official misconduct by an employee of the SOS Office's Naperville licensing facility. During the course of the investigation, IG Investigators believed that the alleged official misconduct may have been

motivated by sales of Citizens For Ryan fundraising tickets by an SOS Office employee. On or about April 26, 1994, at the direction of the Inspector General, an IG Investigator called defendant RYAN and communicated the alleged fundraising-related motive directly to defendant RYAN.

iv. In November 1994, IG Investigators learned that a driver involved in a widely-publicized fatal traffic incident may have obtained his commercial driver's license illegally at the McCook driver's license facility. After the allegations were learned of by an IG Investigator and a preliminary inquiry was made, the allegations were reported to the Inspector General who, in turn, notified other high-ranking SOS Office officials of the allegations.

131. It was further part of the scheme that, in December 1994, in an internal memorandum not intended for public disclosure, Fawell recommended to defendant RYAN that certain IG Investigators be terminated and reassigned, in order to discourage investigations into improper political fundraising activities and related official misconduct benefitting defendant RYAN and Citizens For Ryan.

132. It was further part of the scheme that, in one or more face-to-face meetings between Fawell and defendant RYAN following the distribution of the December 1994 memo, defendant RYAN agreed to Fawell's recommendation in the December 1994 memo as to the IG Department and thereafter authorized the termination or reassignment of the majority of IG Investigators.

133. It was further part of the scheme that, in or about January 1995, Fawell directed a memorandum to defendant RYAN summarizing the results of their meetings, including the decision to reassign IG Investigators who were "trouble."

134. It was further part of the scheme that Fawell drafted and distributed written memoranda falsely justifying the decision to terminate IG Investigators and reorganize the IG

Department as being based on budgetary cutbacks at the SOS Office.

135. It was further part of the scheme that, from February 1995 through June 1995, most of the IG Investigators, including those who had made inquiries into allegations of official misconduct linked to fundraising ticket sales, were terminated or reassigned. As a direct consequence of these actions, defendant RYAN and Fawell disabled the IG Department and substantially hindered it from fulfilling its duties to, among other things, investigate all allegations of SOS Office misconduct, including allegations linked to fundraising efforts of Citizens For Ryan.

Diverting and Authorizing The Diverting Of State Resources To Benefit RYAN

136. It was further part of the scheme that, at times between 1992 and 1998, defendant RYAN, Fawell and others authorized the diversion of SOS Office resources to benefit RYAN personally and Citizens For Ryan, including in connection with certain political campaigns defendant RYAN supported.

137. It was further part of the scheme that, with respect to a 1995-96 primary campaign of then Texas Senator Phil Gramm, who was a candidate for president of the United States (the “Gramm campaign”), defendant RYAN met with Fawell and Richard Juliano, another high-ranking SOS Office official, to plan their participation in the Gramm campaign effort.

138. It was further part of the scheme that, in planning a primary campaign budget for the Gramm campaign in Illinois, defendant RYAN proposed that certain individuals be given “consulting” payments related to Gramm campaign.

139. It was further part of the scheme that defendant RYAN, with the assistance of Fawell, determined that RYAN, through certain of his family members, Fawell and Juliano would split the

“consulting” payments from the Gramm campaign.

140. It was further part of the scheme that defendant RYAN, with the assistance of Fawell and Udstuen, recruited Alan Drazek to participate in the Gramm campaign through his company, American Management Resources (“AMR”). In order to conceal the financial benefits that defendant RYAN and Fawell were to receive, RYAN, Fawell and Juliano used AMR as a conduit to funnel the “consulting” payments they were receiving. As further part of the effort to conceal, at no time did RYAN, Fawell or Juliano disclose to the Gramm campaign that Fawell or RYAN would be financial beneficiaries of the AMR payments.

141. It was further part of the scheme that, during the Gramm campaign, Fawell, Juliano and other SOS Office employees working at their direction, and with the authorization and knowledge of defendant RYAN, performed campaign work on state time and utilized state resources to benefit the Gramm campaign. In particular, Fawell, Juliano and other SOS Office employees personally participated in campaign activities, including campaign meetings, phone conferences, political fundraisers, organizational meetings, strategy sessions, as well as public appearances with Gramm. Many of the campaign activities occurred during the business day and utilized SOS Office resources.

142. It was further part of the scheme that, from in or about September 1995 to in or about March 1996, defendant RYAN, Fawell and Juliano caused over \$32,000 in payments to be made from the Gramm campaign through AMR to individuals and entities RYAN, Fawell and Juliano designated. RYAN directed his share of the “consulting” payments to certain family members, who did not perform bona fide services for the Gramm campaign.

143. It was further part of the scheme that defendant RYAN concealed the benefits he

received from the Gramm campaign by a) omitting the income on his 1995 and 1996 Statement of Economic Interest forms; and b) omitting the Gramm campaign related income from his original and amended 1995 and 1996 federal and state tax returns prior to the public disclosure of his payments during the course of the Grand Jury Investigation.

144. It was further part of the effort to conceal the nature of defendant RYAN's participation in the scheme that, in 2002, in amending, for the second time, his 1995 and 1996 federal and state tax returns to disclose the Gramm payments, RYAN made false and misleading statements by indicating that it was the Gramm campaign's idea for RYAN to receive funds related to the Gramm campaign.

Concealing Misconduct And Obstructing the Grand Jury Investigation

Shredding Incident

145. It was further part of the scheme that, in or about September 1998, after learning of the existence of the Grand Jury Investigation (as set forth in paragraph 4 above), Scott Fawell, in the presence of defendant RYAN and in anticipation of law enforcement action, directed SOS Office employees, including William Mack, to "clean up" Citizens For Ryan related documents on SOS Office premises.

146. It was further part of the scheme that, after Fawell gave Mack the directive in the presence of defendant RYAN, Mack gathered together a number of SOS Office employees and directed them to shred voluminous amounts of material present in the SOS executive offices. Such shredding occurred late into the evening and filled numerous garbage bags, which bags were transported out of the executive office area that evening. Such shredded and destroyed documents were relevant and material to the Grand Jury Investigation and included campaign-related financial

reports, low-digit license plate requests, candidate schedules, campaign press releases, computer files, volunteer information and other campaign related information that had been created and maintained by SOS Office employees on SOS Office premises.

147. It was further part of the scheme that, shortly after the shredding was complete, Mack personally contacted defendant RYAN and Fawell to inform each that the SOS Office had been “cleaned up.”

Interviews of RYAN In Relation To Grand Jury Investigation

148. It was further part of the scheme that defendant RYAN made material false statements in three interviews with law enforcement agents who were conducting the Grand Jury Investigation, including the following:

A. In the January 5, 2000, interview, defendant RYAN made false material statements by stating, in substance, that:

i. On each occasion when RYAN was a guest of Associate 2 in Jamaica, RYAN paid his own way and also paid all his own expenses, including lodging. Regarding lodging in Jamaica, RYAN said that the cost was \$1,000 per week, which RYAN believed was the going rate for lodging at the property. RYAN further stated he paid the lodging fee out of his own pocket. In addition, and related to the Jamaica inquiries by federal investigators, RYAN caused checks purporting to be his payments for lodging to be provided to federal investigators.

ii. RYAN was totally unaware of the pricing and contents of the South Holland Lease and did not personally take part in the negotiation of the lease;

iii. RYAN had no recollection or knowledge of the original negotiations of the Joliet lease;

iv. Regarding RYAN's appointment of WARNER to the McPier board, RYAN stated it was a resigning board member's recommendation that RYAN appoint WARNER and RYAN merely went along with the recommendation.

v. Inspector General Dean Bauer never informed him of the finding of the briefcase and the campaign fundraising tickets at the Libertyville raid; and no one at the SOS Office, including Dean Bauer, ever linked ticket sales to improper licensing.

B. In the October 16, 2000, interview, defendant RYAN made false material statements by stating, in substance, the following:

i. RYAN never had any discussions with defendant WARNER regarding WARNER's interest in the Joliet lease or any SOS Office lease, and, further, RYAN had no personal knowledge of WARNER profiting in any way regarding the Joliet lease;

ii. RYAN had no idea how WARNER could have had advance knowledge of the SOS Office looking into a lease in the Joliet area and RYAN provided no advance information to WARNER regarding future leases with the SOS Office; and.

iii. RYAN had no personal financial relationship with WARNER.

C. In the February 5, 2001, interview, defendant RYAN made false material statements by stating, in substance, the following:

With respect to a conversation on a boat trip with Individual 1 that resulted in RYAN receiving four \$500 checks from Individual 1, RYAN stated that he did not give Individual 1 the name of his son, nor did he write down the names or addresses of his son or his son's wife and

provide them to Individual 1.

149. On or about August 3, 2000, at Chicago, in the Northern District of Illinois, Eastern Division, and Springfield, Illinois,

GEORGE H. RYAN, SR. and
LAWRENCE E. WARNER,

defendants herein, for the purpose of executing the aforesaid scheme, and attempting to do so, did knowingly cause to be delivered by mail according to the direction thereon an envelope containing a \$43,760.89 check from the State of Illinois relating to the Validation Stickers contract, and addressed to:

American Decal & Mfg. Co.
4100 West Fullerton
Chicago, IL 60639

In violation of Title 18, United States Code, Sections 1341, 1346 and 2.

COUNT THREE

The SPECIAL APRIL 2002 GRAND JURY further charges:

1. The allegations in paragraphs 1-4 of Count One and paragraphs 2-148 of Count Two of this indictment are hereby realleged and incorporated herein as if fully set forth herein.

2. On or about January 11, 1999, at Chicago, in the Northern District of Illinois, Eastern Division, and Springfield, Illinois,

GEORGE H. RYAN, SR. and
LAWRENCE E. WARNER,

defendants herein, for the purpose of executing the aforesaid scheme, and attempting to do so, did knowingly cause to be delivered by mail according to the direction thereon an envelope containing a State of Illinois check in the amount of \$18,561.69 relating to the Joliet Lease, and addressed to:

Joliet Maple Limited Liability
Park Place Investment
800 N. Clark Street Suite 219
Chicago, IL 60610

In violation of Title 18, United States Code, Sections 1341, 1346 and 2.

COUNT FOUR

The SPECIAL APRIL 2002 GRAND JURY further charges:

1. The allegations in paragraphs 1-4 of Count One and paragraphs 2-148 of Count Two of this indictment are hereby realleged and incorporated herein as if fully set forth herein.

2. On or about December 28, 1998, at Chicago, in the Northern District of Illinois, Eastern Division, and elsewhere,

GEORGE H. RYAN, SR. and
LAWRENCE E. WARNER,

defendants herein, for the purpose of executing the aforesaid scheme, and attempting to do so, did knowingly cause to be delivered by mail according to the direction thereon an envelope containing a check from IBM in the amount of \$21,295.18 relating to the computer system contract and other SOS Office computer-related contracts, and addressed to:

Omega Consulting
3101 N. Western Avenue
Chicago, IL 60618

In violation of Title 18, United States Code, Sections 1341, 1346 and 2.

COUNT FIVE

The SPECIAL APRIL 2002 GRAND JURY further charges:

1. The allegations in paragraphs 1-4 of Count One and paragraphs 2-148 of Count Two of this indictment are hereby realleged and incorporated herein as if fully set forth herein.

2. On or about January 12, 1999, at Chicago, in the Northern District of Illinois, Eastern Division, and Springfield, Illinois,

GEORGE H. RYAN, SR. and
LAWRENCE E. WARNER,

defendants herein, for the purpose of executing the aforesaid scheme, and attempting to do so, did knowingly cause to be delivered by mail according to the direction thereon an envelope containing a check in the amount of \$7,098.65 from Omega Consulting Group and relating to IBM, and addressed to:

American Management Resources
7831 Churchill
Morton Grove, IL 60053

In violation of Title 18, United States Code, Sections 1341, 1346 and 2.

COUNT SIX

The SPECIAL APRIL 2002 GRAND JURY further charges:

1. The allegations in paragraphs 1-4 of Count One and paragraphs 2-148 of Count Two of this indictment are hereby realleged and incorporated as if fully set forth herein.

2. On or about January 22, 1999, in the Northern District of Illinois, Eastern Division, and Springfield, Illinois,

GEORGE H. RYAN, SR.,

defendant herein, for the purpose of executing the aforesaid scheme to defraud, and attempting to do so, did knowingly cause to be delivered by mail according to the direction thereon an envelope containing a State of Illinois check in the amount of \$10,000 relating to the South Holland Lease addressed to:

16475 Van Dam Road Building Partnership
16835 South Halsted
Harvey, Illinois 60426-6113

In violation of Title 18, United States Code, Sections 1341, 1346 and 2.

COUNT SEVEN

The SPECIAL APRIL 2002 GRAND JURY further charges:

1. The allegations in paragraphs 1-4 of Count One and paragraphs 2-148 of Count Two of this indictment are hereby realleged and incorporated herein as if fully set forth herein.

2. On or about November 15, 2002, at Chicago, in the Northern District of Illinois, Eastern Division, and elsewhere,

GEORGE H. RYAN, SR. and
LAWRENCE E. WARNER,

defendants herein, for the purpose of executing the aforesaid scheme, and attempting to do so, did knowingly cause to be delivered by mail according to the direction thereon an envelope containing a check from Viisage in the amount of \$18,902.79 relating to the digital licensing contract, and addressed to:

National Consulting Company
3101 North Western Avenue
Chicago, IL 60618

In violation of Title 18, United States Code, Sections 1341, 1346 and 2.

COUNT EIGHT

The SPECIAL APRIL 2002 GRAND JURY further charges:

1. The allegations in paragraphs 1-4 of Count One and paragraphs 2-148 of Count Two of this indictment are hereby realleged and incorporated herein as if fully set forth herein.

2. On or about January 19, 1999, at Chicago, in the Northern District of Illinois, Eastern Division, and Springfield, Illinois,

GEORGE H. RYAN, SR., and
LAWRENCE E. WARNER,

defendants herein, for the purpose of executing the aforesaid scheme, and attempting to do so, did knowingly cause to be delivered by mail according to the direction thereon an envelope containing a State of Illinois check in the amount of \$10,005 relating to the Bellwood Lease, and addressed to:

Wells Mannheim Partnership
1839 North Lincoln
Chicago, IL 60614

In violation of Title 18, United States Code, Sections 1341, 1346 and 2.

COUNT NINE

The SPECIAL APRIL 2002 GRAND JURY further charges:

1. The allegations in paragraphs 1-4 of Count One and paragraphs 2-148 of Count Two of this indictment are hereby realleged and incorporated herein as if fully set forth herein.

2. On or about April 14, 1999, at Chicago, in the Northern District of Illinois, Eastern Division,

GEORGE H. RYAN, SR. and
LAWRENCE E. WARNER,

defendants herein, for the purpose of executing the aforesaid scheme, and attempting to do so, did knowingly cause to be delivered by mail according to the direction thereon an envelope containing a check in the amount of \$18,590.82 relating to the 17 N. State Lease, and addressed to:

National Consulting
3101 N. Western Avenue
Chicago, IL 60618

In violation of Title 18, United States Code, Sections 1341, 1346 and 2.

COUNT TEN

The SPECIAL APRIL 2002 GRAND JURY further charges:

1. The allegations in paragraphs 1-4 of Count One and paragraphs 2-148 of Count Two of this indictment are hereby realleged and incorporated as if fully set forth herein.
2. On or about March 12, 2001, in the Northern District of Illinois, Eastern Division, and elsewhere,

GEORGE H. RYAN, SR.

defendant herein, and Associate 1, for the purpose of executing the aforesaid scheme to defraud, and attempting to do so, knowingly did cause to be deposited with a private and commercial interstate carrier for delivery according to the directions thereon, an envelope containing a cashier's check in the amount of \$50,000, which represented a lobbyist fee relating to the Grayville representative; addressed to Associate 1 in Springfield, Illinois.

In violation of Title 18, United States Code, Sections 1341, 1346 and 2.

COUNT ELEVEN

The SPECIAL APRIL 2002 GRAND JURY further charges:

1. The allegations in paragraphs 1-4 of Count One of this indictment are hereby realleged and incorporated herein as if fully set forth herein.
2. On or about January 5, 2000, in Chicago, in the Northern District of Illinois, Eastern Division, and elsewhere,

GEORGE H. RYAN, SR.,

defendant herein, did knowingly and willfully make materially false, fictitious and fraudulent statements and representations in a matter within the jurisdiction of the Federal Bureau of Investigation, an agency within the executive branch of the Government of the United States, when he stated the following:

- i. On each occasion when RYAN was a guest of Associate 2 in Jamaica, RYAN paid his own way and also paid all his own expenses, including lodging. Regarding lodging in Jamaica, RYAN said that the cost was \$1,000 per week, which RYAN believed was the going rate for lodging at the property. RYAN further stated he paid the lodging fee out of his own pocket.
- ii. RYAN was totally unaware of the pricing and contents of the South Holland Lease and did not personally take part in the negotiation of the lease;

iii. RYAN had no recollection or knowledge of the original negotiations of the Joliet lease;

iv. Regarding RYAN's appointment of WARNER to the McPier board, RYAN stated it was a resigning board member's recommendation that RYAN appoint WARNER and RYAN merely went along with the recommendation.

v. Inspector General Dean Bauer never informed him of the finding of the briefcase and the campaign fundraising tickets at the Libertyville raid; and no one at the SOS Office, including Dean Bauer, ever linked ticket sales to improper licensing.

All in violation of Title 18, United States Code, Section 1001(a)(2).

COUNT TWELVE

The SPECIAL APRIL 2002 GRAND JURY further charges:

1. The allegations in paragraphs 1-4 of Count One of this indictment are hereby realleged and incorporated herein as if fully set forth herein.

2. On or about October 16, 2000, in Chicago, in the Northern District of Illinois, Eastern Division,

GEORGE H. RYAN, SR.,

defendant herein, did knowingly and willfully make materially false, fictitious and fraudulent statements and representations in a matter within the jurisdiction of the Federal Bureau of Investigation, an agency within the executive branch of the Government of the United States, when he stated the following:

i. RYAN never had any discussions with defendant WARNER regarding WARNER's interest in the Joliet lease or any SOS Office lease, and, further, RYAN had no personal knowledge of WARNER profiting in any way regarding the Joliet lease;

ii. RYAN had no idea how WARNER could have had advance knowledge of the SOS Office looking into a lease in the Joliet area and RYAN provided no advance information to WARNER regarding future leases with the SOS Office; and

iii. RYAN had no personal financial relationship with WARNER.

All in violation of Title 18, United States Code, Section 1001(a)(2).

COUNT THIRTEEN

The SPECIAL APRIL 2002 GRAND JURY further charges:

1. The allegations in paragraphs 1-4 of Count One of this indictment are hereby realleged and incorporated herein as if fully set forth herein.

2. On or about February 5, 2001, in Chicago, in the Northern District of Illinois, Eastern Division,

GEORGE H. RYAN, SR.,

defendant herein, did knowingly and willfully make materially false, fictitious and fraudulent statements and representations in a matter within the jurisdiction of the Federal Bureau of Investigation, an agency within the executive branch of the Government of the United States, when he stated the following:

With respect to a conversation on a boat trip with Individual 1 that resulted in RYAN receiving four \$500 checks from Individual 1, RYAN stated that he did not give Individual 1 the name of his son, nor did he write down the names or addresses of his son or his son's wife and provide them to Individual 1.

All in violation of Title 18, United States Code, Section 1001(a)(2).

COUNT FOURTEEN

The SPECIAL APRIL 2002 GRAND JURY further charges:

1. The allegations in paragraphs 1-4 of Count One of this indictment are hereby realleged and incorporated as if fully set forth herein.
2. In about September 1998, in Chicago, in the Northern District of Illinois, Eastern Division, and elsewhere,

LAWRENCE E. WARNER,

defendant herein, attempted to commit extortion, which extortion obstructed, delayed and affected commerce, by knowingly attempting to obtain property in the form of payments from American Decal Manufacturing under the color of official right and induced by the wrongful use of actual and threatened fear of economic harm,

In violation of Title 18, United States Code, Sections 1951 and 2.

COUNT FIFTEEN

The SPECIAL APRIL 2002 GRAND JURY further charges:

1. The allegations in paragraphs 1-4 of Count One of this indictment are hereby realleged and incorporated as if fully set forth herein.

2. On or about May 18, 1998, in Chicago, in the Northern District of Illinois, Eastern Division, and elsewhere,

LAWRENCE E. WARNER,

defendant herein, knowingly conducted and attempted to conduct a financial transaction affecting interstate commerce, when defendant caused a National Consulting Company check to be issued, made payable to American Management Resources, on North Community Bank account number 1403880, in the amount of \$1,666.67, which financial transaction involved the proceeds of specified unlawful activity, namely, acts and activities constituting mail fraud, in violation of Title 18, United States Code, Sections 1341 and 1346, and extortion, in violation of Title 18, United States Code, Section 1951, related to the SOS Office validation stickers contract, as further described in Count Two of this indictment, knowing that the transaction was designed in whole and in part to conceal the nature, source, and ownership of the proceeds of said specified unlawful activity, and while conducting and attempting to conduct said financial transaction, knew that the property involved in the financial transaction represented the proceeds of some form of unlawful activity,

In violation of Title 18, United States Code, Sections 1956(a)(1)(B)(i) and 2.

COUNT SIXTEEN

The SPECIAL APRIL 2002 GRAND JURY further charges:

1. The allegations in paragraphs 1-4 of Count One of this indictment are hereby realleged and incorporated herein as if fully set forth herein.
2. On or about July 31, 1997, in the Northern District of Illinois, Eastern Division, and elsewhere,

LAWRENCE E. WARNER,

defendant herein, knowingly conducted and attempted to conduct a financial transaction affecting interstate commerce, when defendant caused an Omega Consulting Group Ltd. check to be issued, made payable to American Management Resources, on North Community Bank account number 1701044, in the amount of \$43,453, which financial transaction involved the proceeds of specified unlawful activity, namely, acts and activities constituting mail fraud, in violation of Title 18, United States Code, Sections 1341 and 1346, and extortion, in violation of Title 18, United States Code, Section 1951, related to the computer system contract and other SOS Office computer-related contracts, knowing that the transaction was designed in whole and in part to conceal the nature, source, and ownership of the proceeds of said specified unlawful activity, and while conducting and attempting to conduct said financial transaction, knew that the property involved in the financial transaction represented the proceeds of some form of unlawful activity,

In violation of Title 18, United States Code, Sections 1956(a)(1)(B)(i) and 2.

COUNT SEVENTEEN

The SPECIAL APRIL 2002 GRAND JURY further charges:

1. The allegations in paragraphs 1-4 of Count One of this indictment are hereby realleged and incorporated as if fully set forth herein.

2. Beginning on or about July 31, 1997 and continuing through at least August 5, 1997, in Chicago, in the Northern District of Illinois, Eastern Division, and elsewhere,

LAWRENCE E. WARNER,

defendant herein, for the purpose of evading the reporting requirements of Title 31, United States Code, Section 5313(a) and regulations prescribed thereunder, structured and assisted in structuring and attempted to structure and assist in structuring, a transaction with the North Community Bank, a domestic financial institution, namely, the withdrawal of \$14,000 in United States currency from his Omega Consulting Group Ltd. checking account into two separate transactions at different branches of the North Community Bank and involving the cashing of two checks, each in an amount under \$10,000, as described below:

<u>Check No.</u>	<u>Date of Check</u>	<u>Amount</u>	<u>Date Check Cashed</u>
1071	July 31, 1997	\$9,000	August 4, 1997
1072	July 31, 1997	\$5,000	August 5, 1997

3. Defendant WARNER committed this offense while violating other laws of the United States, as set forth in Count One of this indictment, and as part of a pattern of illegal activity involving more than \$100,000 in a 12 month period commencing on May 5, 1997;

In violation of Title 31, United States Code, Section 5324(a)(3) and (d)(2).

COUNT EIGHTEEN

The SPECIAL APRIL 2002 GRAND JURY further charges:

1. The allegations in paragraphs 1–4 of Count One of this indictment are hereby realleged and incorporated herein as if fully set forth herein.

2. At times material to this indictment:

A. RYAN Relative One was the husband of a RYAN Daughter.

B. Individual 2 was a caretaker for defendant RYAN’s mother-in-law.

Income and Expenditure Reports (D-2s)

C. CFR was required under Illinois law to file income and expenditure reports (D-2s), typically on a semi-annual basis, with the Illinois State Board of Elections. The D-2s reported the amount and purpose of each expenditure of \$150 or more incurred by CFR. At the time of filing, each D-2 was verified for truth and completeness by the treasurer of CFR.

D. Campaign Reporting Services (“CRS”) was a Springfield-based firm that was hired by CFR to prepare its D-2 campaign disclosure forms beginning no later than 1991 and continuing through 1998. CFR paid a monthly fee to CRS for the preparation of the D-2's and related services provided to CFR. Said monthly fee was increased from \$2,000 per month to \$3,000 per month in approximately early 1994.

E. Agents and employees of CFR provided CRS with the information necessary to prepare the D-2s. As a general practice, agents and employees of CFR prepared for each check a voucher describing the amount and purpose of the check. The information on the vouchers was used by CRS to prepare the D-2s. On occasion, when a CFR check was written or issued by defendant RYAN or other authorized agents of CFR without a corresponding voucher,

the purpose of the expenditure was listed on the check or was otherwise made known to CRS in order to prepare the D-2s.

Applicable Law and Duties

F. Defendant RYAN had a legal duty and obligation, under the Internal Revenue Code and regulations and rules issued thereunder, to report accurately all income that he had received during a particular year on the annual joint income tax return that he filed.

G. Defendant RYAN was permitted under Illinois law to use CFR funds for personal expenditures, but was required under the Internal Revenue Code and regulations and rules issued thereunder, to report as income on his joint income tax return CFR expenditures made for any personal purposes.

H. Defendant RYAN was not permitted, under the Internal Revenue Code and regulations and rules issued thereunder, to shift tax liability for his income to nominees or third parties by having the income payments made in the name of nominees or third parties.

I. Defendant RYAN was required, under the Internal Revenue Code and regulations and rules issued thereunder, to report as income on his joint tax returns any income, including payments, cash, bribes or gratuities that he received by virtue of his official position.

The Corrupt Endeavor

3. Beginning in approximately January of 1991 and continuing through approximately December of 2002, at Chicago and elsewhere in the Northern District of Illinois, Eastern Division, and elsewhere,

GEORGE H. RYAN, SR.,

defendant herein, corruptly obstructed and impeded and endeavored to obstruct and impede the Internal Revenue Service in the due administration of Title 26, United States Code, namely the correct reporting of income and identification, assessment, and collection of taxes and tax penalties due the United States.

Citizens For Ryan Funds

4. It was part of the corrupt endeavor that on numerous occasions, defendant RYAN used CFR funds to pay his and certain family members' personal expenses and to provide personal gifts (including payments for travel related expenses) for the benefit of third parties, and misled and knowingly failed to inform the CFR agents and employees, CRS, and other outside firms preparing the D-2s for CFR of the numerous personal expenses he had incurred and personal gifts that he had purchased with CFR funds.

5. It was further part of the corrupt endeavor that defendant RYAN, acting in concert with other agents and employees of CFR, and others, caused income that he was receiving from both CFR and third parties to be diverted, paid and allocated to others, including family members, thereby depriving the IRS of accurate information as to his true income as well as the true income of the individuals to whom he diverted, paid and allocated his income.

6. It was further part of the corrupt endeavor that in order to conceal personal expenditures of CFR funds, defendant RYAN wrote, and caused agents and employees of CFR to write, false and misleading notations on CFR checks issued to family members indicating that expenditures were for "consulting" or "campaign work" when, in truth and fact, the expenditures were gifts to family members.

7. It was further part of the corrupt endeavor that during the period from July 1996 through August 1997, defendant RYAN caused CFR checks totaling \$55,000 to be issued to RYAN Relative One, purportedly for campaign-related services, knowing that RYAN Relative One performed no services for said money and that the payments were gifts directed by RYAN.

8. It was further part of the corrupt endeavor that by misleading and knowingly failing to inform the CFR agents and employees, CRS, and other outside firms preparing the D-2s for CFR of the numerous personal expenses he had paid and personal gifts that he had given with CFR funds, defendant RYAN caused D-2s to be filed on behalf of CFR which falsely described numerous personal expenses and gifts as being campaign or political expenses.

9. It was further part of the corrupt endeavor that during the period from on or about August 7, 1998 through on or about November 6, 1998, defendant RYAN issued and caused to be issued four CFR checks totaling \$6,000 payable to Individual 2.

10. It was further part of the corrupt endeavor that to avoid public disclosure on the D-2s of the gifts that he was giving to family members with CFR money, defendant RYAN only gave CFR money directly to family members who did not have the same surname (Ryan) and used third parties to funnel CFR funds to one or more family members who shared his surname.

11. It was further part of the corrupt endeavor that defendant RYAN and agents and employees of CFR used CRS to funnel CFR funds to one or more RYAN family members whose surname was Ryan. In or after 1994, when CRS increased its monthly fee to CFR by \$1,000 per month, CRS, at CFR's direction, began making a monthly payment of \$1,000 to one or more RYAN family members who provided little or no service to either CRS or CFR.

12. It was further part of the corrupt endeavor that on numerous occasions, agents or

employees of CFR issued IRS Form 1099s to the family members and associates of defendant RYAN who had received monetary gifts of CFR funds, which Form 1099s listed the CFR payments made to them as “non-employee compensation,” thereby concealing and misrepresenting the true nature of said payments.

13. It was further part of the corrupt endeavor that each year, defendant RYAN provided and caused to be provided to his accountant a list of the personal expenses that had been paid with CFR funds, knowing that said list was prepared in reliance on the D-2's and knowing further that as a result of his concealment and deceit, said list substantially understated the actual amount of personal expenses that he had paid, and gifts that he had given, using CFR funds.

Gramm Campaign Payments

14. It was further part of the corrupt endeavor that, with respect to a 1995-96 primary campaign of then Texas Senator Phil Gramm, who was a candidate for president of the United States (the “Gramm campaign”), defendant RYAN met with Fawell and Richard Juliano, another high-ranking SOS Office official, to plan their participation in the Gramm campaign effort.

15. It was further part of the corrupt endeavor that, in planning a primary campaign budget for the Gramm campaign in Illinois, defendant RYAN proposed that certain individuals be given “consulting” payments related to Gramm campaign.

16. It was further part of the corrupt endeavor that defendant RYAN, with the assistance of Fawell, determined that RYAN, through certain of his family members, Fawell and Juliano would split the “consulting” payments from the Gramm campaign.

17. It was further part of the corrupt endeavor that defendant RYAN, with the

assistance of Fawell and Udstuen, recruited Alan Drazek to participate in the Gramm campaign through his company, American Management Resources. In order to conceal the financial benefits that defendant RYAN and Fawell were to receive, RYAN, Fawell and Juliano used AMR as a conduit to funnel the “consulting” payments they were receiving. As further part of the effort to conceal, at no time did RYAN, Fawell or Juliano disclose to the Gramm campaign that Fawell or RYAN would be financial beneficiaries of the AMR payments.

18. It was further part of the corrupt endeavor that, from in or about September 1995 to in or about March 1996, defendant RYAN, Fawell and Juliano caused over \$32,000 in payments to be made from the Gramm campaign through AMR to individuals and entities RYAN, Fawell and Juliano designated. RYAN directed his share of the “consulting” payments to certain family members, who did not perform bona fide services for the Gramm campaign.

19. It was further part of the corrupt endeavor that defendant RYAN concealed the benefits he received from the Gramm campaign by a) omitting the income on his 1995 and 1996 Statement of Economic Interest forms; and b) omitting the Gramm campaign related income from his original and amended 1995 and 1996 federal and state tax returns prior to the public disclosure of the Gramm campaign payments during the course of the Grand Jury Investigation.

20. It was further part of the corrupt endeavor that, in 2002, in amending, for the second time, his 1995 and 1996 federal and state tax returns to disclose the Gramm payments, RYAN made false and misleading statements by indicating that it was the Gramm campaign’s idea for RYAN to receive funds related to the Gramm campaign.

Use of Cash

21. It was further part of the corrupt endeavor that defendant RYAN obtained and

failed to report cash and other financial benefits as income on his federal and state tax returns.

22. It was further part of the corrupt endeavor that defendant RYAN spent cash that he received from third parties for his personal use, thereby minimizing any documentation of his personal expenses. Such personal expenditures of cash included cash expenditures on frequent gambling trips to various casinos, cash expenditures relating to out-of-state trips and cash expenditures for gifts to and for the benefit of RYAN family members and others.

Receipt of Money from Political Supporters

23. It was further part of the corrupt endeavor that on more than one occasion, defendant RYAN received money from political supporters which he deposited into his personal account and used for personal expenses without advising any agents or representatives of CFR, and thereby knowingly caused said payments to be omitted from the D-2s filed by CFR. Defendant RYAN failed to advise his accountants that he had received such payments and failed to report said payments as income on his federal tax returns.

24. It was further part of the corrupt endeavor that in order to conceal payments in the amount of \$2,000 made to him by Individual 1 in approximately September of 1997, defendant RYAN directed Individual 1 to make out four \$500 checks to defendant RYAN and specified RYAN family members, which Individual 1 then did. Defendant RYAN failed to report said payments as income on his tax returns and, until the issue was raised in an interview with federal law enforcement officials, failed to report said payments on his Statement of Economic Interest for the year 1997.

Filing of False Tax Returns

25. It was further part of the corrupt endeavor that on or about April 15, 1996,

defendant RYAN filed a materially false individual income tax return, IRS form 1040, for the tax year 1995, in which he knowingly understated his actual gross income.

26. It was further part of the corrupt endeavor that on or about April 15, 1997, defendant RYAN filed a materially false individual income tax return, IRS form 1040, for the tax year 1996, in which he knowingly understated his actual gross income.

27. It was further part of the corrupt endeavor that on or about April 15, 1998, defendant RYAN filed a materially false individual income tax return, IRS form 1040, for the tax year 1997, in which he knowingly understated his actual gross income.

28. It was further part of the corrupt endeavor that on or about April 15, 1999, defendant RYAN filed a materially false individual income tax return, IRS form 1040, for the tax year 1998, in which he knowingly understated his actual gross income.

29. It was further part of the corrupt endeavor that on or about February 19, 1998, after defendant RYAN was an announced candidate for Governor, RYAN filed amended tax returns, IRS Forms 1040X, for the years 1995 and 1996, in which he increased the amount of his reported income for 1995 and 1996 based on additional personal expenditures of CFR funds, but still omitted substantial income that he had received and diverted to family members or others.

30. It was further part of the corrupt endeavor that on or about December 21, 2002, after publicity about his family members receiving money in connection with the presidential campaign of Phil Gramm, defendant RYAN filed second amended tax returns, IRS Forms 1040X, for the years 1995 and 1996, in which he included the income he had received from the presidential primary campaign and falsely stated to the Internal Revenue Service that it was the presidential primary campaign's idea for defendant RYAN to receive funds personally related to

the presidential primary campaign.

31. It was further part of the corrupt endeavor that on or about December 21, 2002, defendant RYAN filed a materially false amended income tax return, IRS form 1040X, for the tax year 1997, in which he understated his actual gross income.

32. It was further part of the corrupt endeavor that defendant RYAN caused family members and other recipients of gifts that he had given to file income tax returns that overstated their income based on the inclusion as income of money or gifts given to them by defendant RYAN.

All in violation of Title 26, United States Code, Section 7212(a).

COUNT NINETEEN

The SPECIAL APRIL 2002 GRAND JURY further charges:

1. The allegations in paragraphs 1-4 of Count One and paragraphs 1-24 of Count Eighteen of this indictment are hereby realleged and incorporated herein as if fully set forth herein.

2. On or about February 17, 1998, in the Northern District of Illinois, Eastern Division, and elsewhere,

GEORGE H. RYAN, SR.,

defendant herein, willfully made and subscribed, and caused to be made and subscribed, an amended joint United States Individual Income Tax Return (Form 1040X with schedules and attachments) for the calendar year 1995, which return was verified by a written declaration that it was made under the penalties of perjury, and filed with the Internal Revenue Service, which return he did not believe to be true and correct as to every material matter, in that the defendant listed his adjusted gross income as being \$120,542.00, whereas, in truth and fact, as the defendant well knew, his adjusted gross income was substantially in excess of said amount;

In violation of Title 26, United States Code, Section 7206(1).

COUNT TWENTY

The SPECIAL APRIL 2002 GRAND JURY further charges:

1. The allegations in paragraphs 1-4 of Count One and paragraphs 1-24 of Count Eighteen of this indictment are hereby realleged and incorporated herein as if fully set forth herein.
2. On or about February 17, 1998, in the Northern District of Illinois, Eastern Division, and elsewhere,

GEORGE H. RYAN, SR.,

defendant herein, willfully made and subscribed, and caused to be made and subscribed, an amended joint United States Individual Income Tax Return (Form 1040X with schedules and attachments) for the calendar year 1996, which return was verified by a written declaration that it was made under the penalties of perjury, and filed with the Internal Revenue Service, which return he did not believe to be true and correct as to every material matter, in that the defendant listed his adjusted gross income as being \$137,908.00, whereas, in truth and fact, as the defendant well knew, his adjusted gross income was substantially in excess of said amount;

In violation of Title 26, United States Code, Section 7206(1).

COUNT TWENTY ONE

The SPECIAL APRIL 2002 GRAND JURY further charges:

1. The allegations in paragraphs 1-4 of Count One and paragraphs 1-24 of Count Eighteen of this indictment are hereby realleged and incorporated herein as if fully set forth herein.
2. On or about April 10, 1998, in the Northern District of Illinois, Eastern Division, and elsewhere,

GEORGE H. RYAN, SR.,

defendant herein, willfully made and subscribed, and caused to be made and subscribed, a joint United States Individual Income Tax Return (Form 1040 with schedules and attachments) for the calendar year 1997, which return was verified by a written declaration that it was made under the penalties of perjury, and filed with the Internal Revenue Service, which return he did not believe to be true and correct as to every material matter, in that the defendant listed his adjusted gross income as being \$106,486.00, whereas, in truth and fact, as the defendant well knew, his adjusted gross income was substantially in excess of said amount;

In violation of Title 26, United States Code, Section 7206(1).

COUNT TWENTY TWO

The SPECIAL APRIL 2002 GRAND JURY further charges:

1. The allegations in paragraphs 1-4 of Count One and paragraphs 1-24 of Count Eighteen of this indictment are hereby realleged and incorporated herein as if fully set forth herein.
2. On or about April 13, 1999, in the Northern District of Illinois, Eastern Division, and elsewhere,

GEORGE H. RYAN, SR.,

defendant herein, willfully made and subscribed, and caused to be made and subscribed, a joint United States Individual Income Tax Return (Form 1040 with schedules and attachments) for the calendar year 1998, which return was verified by a written declaration that it was made under the penalties of perjury, and filed with the Internal Revenue Service, which return he did not believe to be true and correct as to every material matter, in that the defendant listed his adjusted gross income as being \$102,640.00, whereas, in truth and fact, as the defendant well knew, his adjusted gross income was substantially in excess of said amount;

In violation of Title 26, United States Code, Section 7206(1).

FORFEITURE ALLEGATIONS

The SPECIAL APRIL 2002 GRAND JURY further charges:

1. The allegations contained in Count One are hereby realleged for the purpose of alleging forfeiture pursuant to Title 18, United States Code, Section 1963.

2. As a result of their violations of Title 18, United States Code, Section 1962(d),

GEORGE H. RYAN, SR. and
LAWRENCE E. WARNER,

defendants herein:

(a) have acquired and maintained interests in violation of Title 18, United States Code, Section 1962, which interests are subject to forfeiture to the United States pursuant to Title 18, United States Code, Section 1963(a)(1);

(b) have interests in, and property and contractual rights which afforded a source of influence over, the enterprise named and described herein, which the defendants operated controlled, conducted and participated in the conduct of in violation of Title 18, United States Code, Section 1962, and which interests are subject to forfeiture to the United States pursuant to Title 18, United States Code, Section 1963(a)(2); and

(c) have property constituting and derived from proceeds that the defendants obtained, directly and indirectly, from the racketeering activity, in violation of Title 18, United States Code, Section 1962, which property is subject to forfeiture to the United States pursuant to Title 18, United States Code, Section 1963(a)(3).

3. The interests of the defendants subject to forfeiture to the United States pursuant to Title 18, United States Code, Sections 1963(a)(1), (a)(2) and (a)(3), include, but are not limited to,

the following:

- (a) at least \$3.1 million;
- (b) Defendant WARNER's interest in Joliet Maple LLC, including but not limited to, the real property having a Permanent Index Number of 07-11-500-011, commonly known as 605 Maple Road, Joliet, Illinois;
- (c) Defendant WARNER's interest in BL Mannheim Inc., including but not limited to, the real property having a Permanent Index Number of 15-09-300-100, commonly known as 405 N. Mannheim Road, Bellwood, Illinois;

4. To the extent that the property described above as being subject to forfeiture pursuant to Title 18, United States Code, Section 1963, as a result of any act or omission of the defendants:

- (a) cannot be located upon the exercise of due diligence;
- (b) has been transferred or sold to, or deposited with, a third party;
- (c) has been placed beyond the jurisdiction of the court;
- (d) has been substantially diminished in value; or
- (e) has been commingled with other property which cannot be divided without difficulty;

it is the intent of the United States, pursuant to Title 18, United States Code, Section 1963(m), to seek forfeiture of any other property of the defendants up to the value of the property described as being subject to forfeiture.

5. The defendants are jointly and severally liable for the forfeiture obligations as alleged above.

All pursuant to Title 18, United States Code, Section 1963.

A TRUE BILL:

Foreperson

United States Attorney